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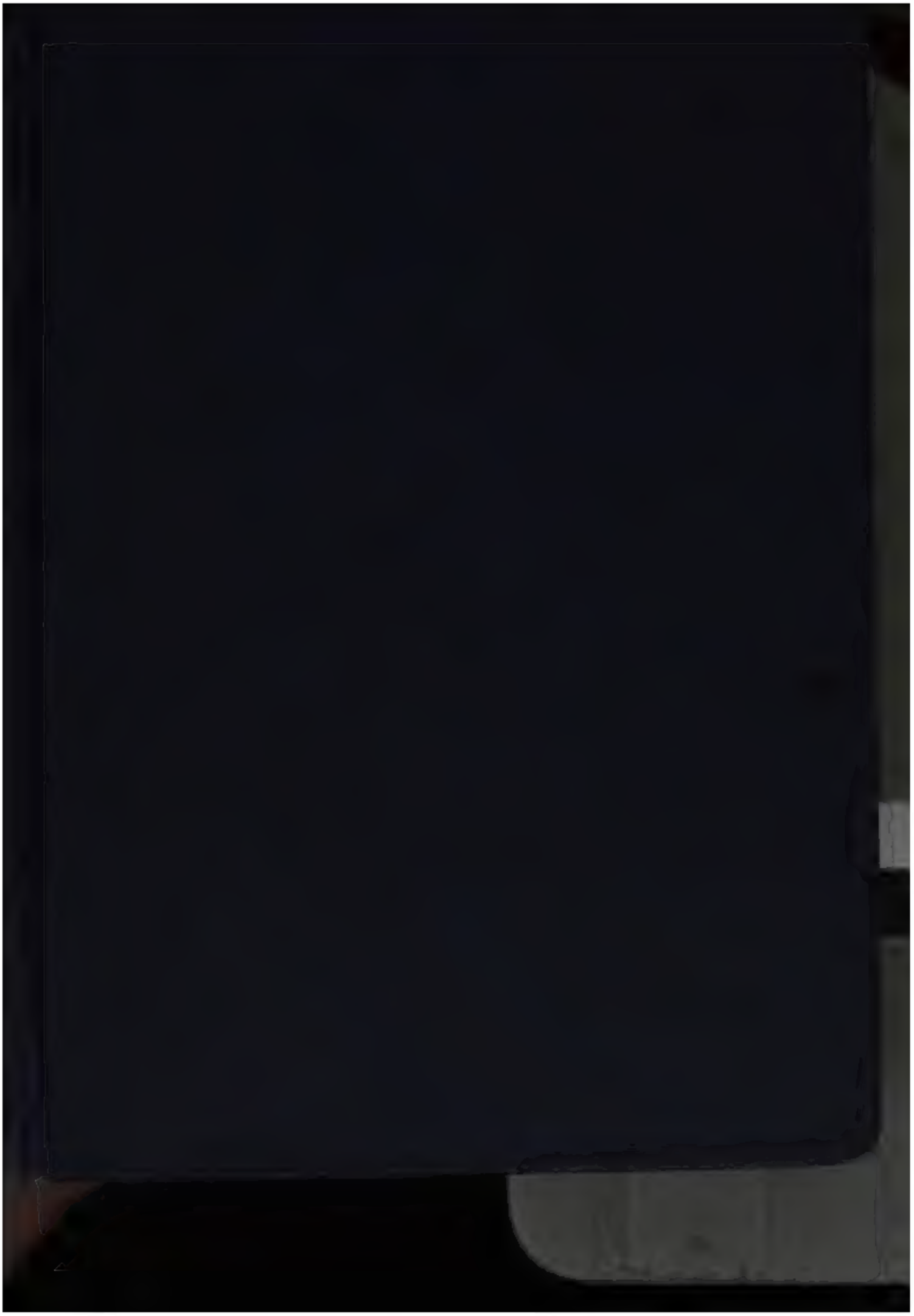

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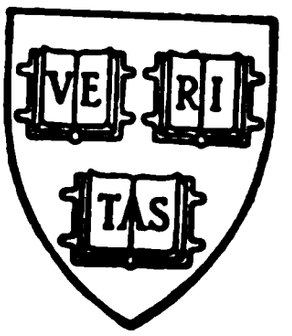

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TAXATION

IN

AMERICAN STATES AND CITIES.

BY

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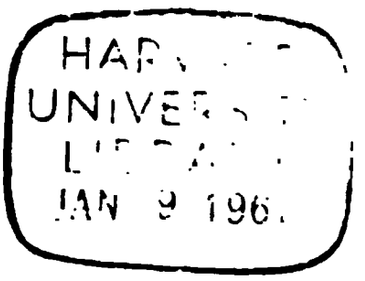

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PREFACE.

THE present volume is not intended primarily for specialists, but for American citizens generally who are intelligent enough to appreciate the vast importance of the topic with which it deals. It is meant to be a popular work, but, it is hoped, in the better sense of the word. I have endeavored to keep the essential facts in mind, and to avoid all technical details which are not essential to an understanding of the main issues.

The work is larger than I thought it would be as it is; and had I written an exhaustive treatise, such as I would have tried to write had my book been designed primarily for lawyers or political economists, it would have been necessary to publish four or five volumes instead of one. The specialist will then understand why much has been omitted which he would gladly have seen inserted. Perhaps the general reader will obtain an idea of the largeness of the subject of taxation in states and cities, when told that the bill itself presented by the Maryland Tax Commission to the legislature covered one hundred and twenty-one printed octavo pages. An adequate explanation of all parts of the bill would have required at least as many additional pages.

A study of taxation is calculated to give one a rather pessimistic view of American laws, American institutions, and American character. As soon as one begins to examine the facts respecting taxes and tax-payers in our cities, one discovers that many an advocate of governmental reforms, loud in his professions, is

as unscrupulous a tax-dodger as any unregenerate politician of the "spoils" school; that many a man who plumes himself on the soundness of his Christianity, is but too ready to browbeat the tax-assessor and shift his just burden to the shoulders of the weak and defenceless; that many a one who figures in the lists of donors to charitable and philanthropic institutions, gives, after all, only a part of what he has withheld from the public treasury. On the other hand, it is encouraging to find rare instances of men of wealth who do not avail themselves of the means at their command to evade taxes, and who bear heavy burdens placed upon them by an antiquated and iniquitous system of taxation.

It would also be difficult for me to take too sombre a view of human nature, for in the preparation of this work I have been the recipient of so many kindnesses from so many people in every part of the United States, that I find myself embarrassed to know how to express my gratitude. Should I print simply a list of names of those who have aided me in one way and another, it would require two or three pages. I must thank the different officials of states and cities who have often, at no inconsiderable inconvenience to themselves, supplied me with public documents and written information on numerous points of the various systems of taxation with which they are concerned. It seems ungrateful not to mention them by name, but there are so many of them that it is impossible to do this.

Professor J. B. Clark, of Smith College, Northampton, Mass.; Professor E. R. A. Seligman, of Columbia College, N.Y.; Professor Arthur Yager, of Georgetown, Ky.; Professor Edward W. Bemis, of Vanderbilt University; Hon. P. Bliss, of Missouri; Hon. Seymour Dexter, of Elmira, N.Y.; Hon. James Alfred Pearce, of Kent County, Md.; Mr. J. R.

Lamar, of Augusta, Ga.; Mr. Stuart Wood, of Philadelphia; Mr. Francis T. King, of Baltimore; Hon. T. M. Cooley, of The Interstate Commerce Commission; my father, Mr. E. S. Ely, of Fredonia, N.Y.; Mr. W. B. Hill, of Macon, Ga.; Hon. Lewis Hopkins, of Baltimore; Professor George W. Knight, of the State University of Ohio; Professor Henry C. Adams, of the University of Michigan; and Colonel William P. Craighill, of Baltimore, have written me valuable and suggestive letters on some aspects of state or local finance. It is scarcely necessary to say that not one of these gentlemen is to be regarded as in any way responsible for the views I have expressed in this work.

I am indebted to Mr. Joseph A. Hill, graduate student of Harvard University, for the loan of a manuscript essay on "Taxation in States and Cities"; to Professor Arthur Yager for the loan of a manuscript essay on "Taxation in Kentucky"; to Mr. Henry B. Gardner, graduate student of the Johns Hopkins University, for the loan of his manuscript essay on "Taxation in Rhode Island"; and to my colleague, Professor George H. Emmott, for reading parts of this work, and discussing with me some of the legal aspects of taxation.

A considerable part of one chapter in this book appeared as an article in the Baltimore *Sun*, in my series, entitled, "Problems of To-Day." I must also make acknowledgment to the *Sun* for a few other extracts from the same series.

Finally, I desire to acknowledge the aid I have received in various ways from Mr. John P. Poe and Mr. Charles M. Armstrong, with whom I was associated both on the Baltimore City Tax Commission and the Maryland State Tax Commission; to Mr. Summerfield Baldwin, of the City Commission; and to Mr. James Alfred Pearce, of the State Commission.

I have omitted the names of many to whom I am indebted for

kindnesses which I sincerely appreciate. I must mention the very special aid I have received from Mr. John H. Finley, graduate student of the Johns Hopkins University, who for many weeks has devoted his entire time to this book, and has assisted me with extraordinary diligence and a display of unusual ability. Whatever merits this book may possess are due to no small extent to Mr. Finley, and it has seemed to me only proper to place his name on the title page.

It is extremely difficult to obtain the material needed for adequate presentation of the finances of all our states and cities. I hope in a future edition, should one be called for, to give a more nearly perfect account of the facts respecting the revenues of American states and cities, past and present, and I ask that all readers who have it in their power to assist me to complete my collection of official documents, will have the kindness to do so. I want reports of auditors and treasurers of states and cities, reports of tax commissions, governors' and mayors' messages; and, in short, all financial documents which I can secure. There are many such reports stored away in old garrets and out-of-the-way places, of no possible value to their present owners, which would be of use to me. The older reports are more difficult to obtain, and are on that account more valuable; but my collection of even recent documents is imperfect. I trust that I shall receive further assistance from members of legislatures and officials of states and cities.

Instruction in sewing and cooking has been introduced in some of our schools, and the results have been most satisfactory. I venture to express the hope that at least a few schools and colleges will use this work as a text-book on taxation, for the subject is of vital importance to all American citizens. The difference between a good system of taxation and

a poor one is to many of our fellow-citizens precisely the difference between having cloth to make into garments and going naked; the difference between having food to cook and going hungry.

RICHARD T. ELY.

JOHNS HOPKINS UNIVERSITY,
BALTIMORE, MD., April 14, 1888.

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PART I.

INTRODUCTION.

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INTRODUCTION.

CHAPTER I.

TAXES DEFINED.

THE preparation of a book on taxation at once suggests the question: What are taxes? While most men have a sufficiently clear conception of a tax to recognize one in the concrete, it will be found by those who try, a most difficult thing to frame such a definition of taxes as to include everything which may properly be called a tax, and exclude everything which cannot properly be called a tax. Many definitions have been given to the public by different writers on finance, but no one of them, it seems to me, is accurate in every particular. I will quote a few of the most noteworthy definitions of taxes, and after criticising them briefly, will present one of my own.[1]

Professor Knies of the University of Heidelberg defines taxes in these words: "Taxes are the legally determined and legally collected contributions of individuals for meeting the necessary and general expenses of the state." This

[1] Other words are used to denote taxes or a particular kind of taxes, as for example, imposts, customs duties, and excise duties, which are usually called internal revenue taxes in the United States. The French use the word *impôts* for taxes, and the Germans, *Steuern*.

definition may be said to tell us what taxes ought to be, rather than what taxes are. As a matter of fact we find taxes frequently levied not for the necessary expenses of government, but to provide the means for extravagant and useless or worse than useless expenditures, while they are too often laid upon the people not for the sake of the general welfare, but to subserve some private end. When we examine the institutions and the public life of countries like Turkey and Russia, we at once discover a wide divergence between the actual practice with respect to taxation and the requirements of the definition given by Knies.[1]

Judge Cooley, in his work on "Taxation," defines taxes "as being the enforced proportional contribution of persons and property levied by the authority of the state for the support of government and for all public needs." On the one hand, this definition fails to include with desirable precision some ideas which may properly be embraced in a definition of taxes, and on the other, it does not appear to be quite accurate. Taxes are not always levied even professedly for public needs, unless we go so far as to claim that every contribution from the public treasury is for a public purpose, simply because it has been sanctioned by public authority. Constitutions at times even make provision for expenditures in order to meet some private need. Section 9 of Article I. of the constitution of New York provides that "the assent of two-thirds of the members elected to each branch of the legislature shall be requisite to every bill appropriating the public moneys or property for local or private purposes." The constitution of Rhode Island, in section 14 of Article IV., contains the same provision.

[1] It is proper to say that this definition is taken from the notes on the lectures by Professor Knies which I made while a student in Heidelberg.

A remarkable instance of a tax imposed for private purposes is afforded by the history of Maryland. Luther Martin, "the Federal Bull-Dog," was much esteemed by the bar of Maryland, and when he was rendered dependent upon his friends in 1820 by a stroke of paralysis, a great deal of sympathy was aroused for him. This led in 1822 to the passage of an act by the legislature, requiring every lawyer in the state to pay an annual license fee of five dollars to trustees for the use of Luther Martin.[1]

Paul Leroy-Beaulieu, in his "Traité de la Science des Finances," in one place defines taxes in these words: "Taxes are simply contributions demanded of citizens as their share of the expenses of government,"[2] and on the following page he gives this somewhat more amplified definition: "Every contribution regularly demanded of the citizens by the constituted authorities of the land for meeting the expenses of government, is a tax." The objections to these definitions by Leroy-Beaulieu are similar to those given above, and it may be said that they positively exclude some purposes for which taxes are levied which might possibly be included under Judge Cooley's definition. Taxes are levied for other purposes than the support of government. They are laid to encourage people to do certain things, and also to dissuade them from doing certain things.[3] Taxes on imports are, for example, often designed to encourage people to manufacture

[1] See "Luther Martin, the Federal Bull-Dog," by Henry P. Goddard, page 28, "Maryland Historical Society Papers," Baltimore, 1887.

[2] Volume I., page 104, of second edition.

[3] The Maryland constitution expressly grants to the legislature the power to levy taxes for the promotion of the general welfare. A part of Article XV. of the Declaration of Rights contains these words: "Fines, duties or taxes may properly and justly be imposed or laid with a political view, for the good government and benefit of the community."

commodities, while the revenue is regarded as something merely incidental.[1]

The high licenses, which in Illinois, Pennsylvania, Minnesota, and elsewhere are exacted of dealers in intoxicating liquors, profess to have in view the discouragement of the liquor traffic. These licenses may yield large revenues, but the advocates of this sort of taxation claim that the benefits which accrue to the public treasury are something merely incidental, while the main object is to diminish the number of drinking-saloons, and thus to lessen the curse of intemperance. A tax of ten per cent. is laid by federal law on all bank notes issued by any other banking associations than those organized under federal law and known as national banks. As this tax more than equals any benefit which could accrue to any one from the issue of bank notes, it has completely suppressed the issues of state banks, and was designed to accomplish this. It has been decided by our courts that the right of taxation includes the right to destroy value. Chief Justice Marshall says "the power to tax involves the power to destroy," and "if the right to tax exists, it is a right which in its nature acknowledges no limits."[2]

The following definition, upon which I have spent considerable thought, appears to me to contain an accurate description of taxes: —

Taxes are simply one-sided transfers of economic goods

[1] Clay favored in 1816 "a thorough and decided protection to home manufactures by ample duties," and Mr. Ingham, in supporting him, said: "The revenue was only an *incidental* consideration and ought not to have any influence in the decision upon the proposition before the committee." See "Taxation in the United States, 1789–1816," by Henry Carter Adams, Ph.D., page 35, Johns Hopkins University Studies in Historical and Political Science, Volume II., Nos. V.–VI.

[2] See Cooley's "Taxation," foot-note 2, pages 10 and 11.

or services demanded of the citizens, and occasionally of those not citizens, but who, nevertheless, are within the reach of the taxing power, by the constituted authorities of the land, for meeting the expenses of government, or for some other purpose, with the intention that a common burden shall be maintained by common contributions or sacrifices.

Several points in this definition require comment. Taxes are described as one-sided transfers. The element of reciprocity is excluded. Taxes are not an exchange, nor are they a payment. The sovereign power demands contributions from citizens regardless of the value of any services which it may perform for the citizen. This is a clear abandonment of the old legal fiction that taxes are paid for protection,[1] — so palpable an absurdity that it is strange that it could ever have gained the currency which it even now enjoys. It is probable that the ancient fiction is maintained because our jurists have so generally failed to give proper attention to economics, and have never grasped the fundamental principles of taxation. Something must be said, and knowing nothing better, it is still repeated, "taxes are payment for protection," although the law itself refuses to recognize in taxation any of the principles which apply to purchase and sale, and contracts and debts resulting therefrom. More will be said hereafter about the reason why taxes are paid.[2]

Taxes are transfers of economic goods or things which

[1] This idea is implied in Montesquieu's definition of taxes: "The public revenues are a portion which each subject gives of his property in order to secure and enjoy the remainder." "Esprit des Lois," XIII. 7.

[2] No one is admitted to the bar in France and Prussia who has not studied political economy. Our best law schools are beginning to introduce courses in political, social, and economic science; and the ancient fiction in question will, it is to be hoped, ere long be laid to rest with the contract theory of the origin of the state.

have value. Taxes are generally paid in money, but not necessarily. Formerly it was common in the American colonies to receive commodities in payment of taxes. When taxes were paid "in kind," much was said about the lean kine used for this purpose in New England. Rhode Island prescribed certain rates at which various commodities should be received by the public treasury for taxes; and it is probable that careful research would discover similar legislation in every one of the original thirteen colonies.[1]

Taxes for certain purposes are still paid in labor in many of our states. These are chiefly taxes for construction, maintenance, and improvement of roads in country districts. These taxes are "worked out," as the phrase is. They are like the old French *corvées*, which were one of the abuses of the *ancien régime*, and are a partial explanation of the abominable roads at the present time in most parts of the United States. "Road duty" in cities is usually replaced by a general tax, but in the city of Atlanta, Ga., those who fail or refuse to pay this and other taxes in money are obliged to work on the streets at the rate of thirty-five cents a day until their taxes are thus paid.[2]

Taxes are demanded of citizens usually, but foreign residents are after a period generally treated like citizens with respect to most taxes. Non-resident foreigners are taxed when they own property in the country laying the tax. This is always the case with real estate, and sometimes with personal property. The tax on real estate is a tax on things. It is like a first charge on its revenues, and is raised regard-

[1] The treasurer of New Haven, for example, was authorized to receive Indian corn at 2*s.* 4*d.* per bushel in payment of town taxes or rates. See Levermore's "Republic of New Haven," Baltimore, 1886, page 74.

[2] The tax in Atlanta is $3.50, and all males between the ages of sixteen and fifty are subject to this tax; truly a "grievous and oppressive" burden.

less of ownership. It often practically amounts to partial public ownership in the property. The English income tax on shares in corporations, stocks and bonds, is collected from corporations and from banks paying interest or dividends,[1] and takes no account of the fact that the owner of the stocks and bonds may be a non-resident foreigner.

It is expressly provided in most of our states in which a poll tax exists that aliens are subject to it, and the comptroller-general of Georgia in his book of "Instructions" specially calls the attention of tax-receivers to the fact that aliens are liable for the poll tax.

Taxes on foreigners are justified on the ground that they must derive some benefit from the existence of the government taxing them, and in so far such taxes may be regarded as a payment for protection, for it cannot be held that the duties of citizenship devolve upon foreigners. It may also be urged that if foreigners are taxed by our government, our citizens will probably be taxed by foreign governments, and that the sum which we collect from foreigners will approximately equal the sum that foreign governments collect from our citizens. A rough kind of justice, about as accurate as can be attained in matters of taxation, is thus effected.

The element of might also undoubtedly enters into taxation, and the mere fact that a foreigner is so situated that he can be forced to contribute to the expenses of government is at times held to be sufficient reason for placing a tax upon him.[2]

[1] Coupons are generally made payable at some bank, and when any English bank pays them, it must deduct the income tax and pay it to the government.

[2] It may be further urged that a man owes certain duties to humanity, and if he fails to discharge the offices of citizenship at home, it is ethically allowable for a foreign government, which can lay its hands on him, to force him to do his part towards the support of government.

A burden is sustained by common sacrifices, and by common is meant according to some fixed rule, applicable to a class of persons or a class of property, but not necessarily to all persons, still less to all property. Certain persons may not individually and without the application of any common rule be selected for the maintenance of government, or to bear a public burden. This would be confiscation and not taxation, and in the United States would be prohibited by that provision of our federal constitution which provides that private property must not be taken for public use without adequate compensation. The constitution of Illinois provides in Article IX., section 1, that the general assembly shall have power to tax pedlers, auctioneers, brokers, hawkers, merchants, commission-merchants, and other persons enumerated, as well as toll-bridges, ferries, insurance, telegraph and express interests, and persons or corporations owning or using franchises and privileges, in such manner as it shall direct by general law, but the tax must be "uniform as to the class upon which it operates."[1] State constitutions often prescribe what kind of taxes shall be levied, or how they shall be levied. Thus Article XV. of the Declaration of Rights of Maryland provides that every person in the state, or holding property therein, "ought to contribute his proportion of public taxes for the support of government, according to his actual worth in real or personal property." It is held that this would prevent an exemption of certain classes of personal property from taxation, although the principles of taxation would sanction such an exemption.

[1] In St. Mary's County, in Maryland, a tax was once laid upon all lawyers within the county for the repair of the court-house. This is a curious instance of a tax laid upon all members of class. It was evidently supposed that lawyers derived a peculiar advantage from the existence of court-houses, and accordingly thought fair that they should make a special contribution for their maintenance.

Judge Cooley, in his work on "Taxation,"[1] gives a decision of the Court of Appeals of Kentucky, which held a law unconstitutional because it required a portion of one street in a city to be improved in an exceptionally expensive manner, at the cost of abutting property owners, and that without their consent, whereas the law required a petition from property owners in other portions of the city, before street improvements could be ordered. The following is an extract from the opinion of the court: "A law imposing taxation on the general public, the evident intent and legitimate results of which are to equalize the burden so far as practicable, will not be held as violative of the fundamental law merely because that desirable end may not be attained. But when, as in this case, the most probable, if not the necessary, consequence of the law is to produce the most oppressive inequality, and to compel a small minority of tax-payers to provide at their sole expense, an improvement of general utility and public interest, the construction of which costs more than double as much as the character of such improvements in general use, and from which, when constructed, the general public derives almost as much advantage as themselves, it assumes the character of an attempted exercise of arbitrary power over the property of this minority; it becomes, in a constitutional sense, a taking and appropriation of their private property to the public use without compensation."

This decision harmonizes with the conception of the definition. When common burdens are placed upon the citizens, these may be called taxes; but when a portion only of the community are, without good and sufficient reason but by arbitrary exercise of power, separated from their fellow-citizens and commanded to bear public burdens, it can be regarded only as confiscation. Good and sufficient reason

[1] Page 489.

for taxing all property of a class, and not all classes of property, may be found in the principles of taxation. Real estate owners cannot claim that their property is confiscated because they are taxed while owners of such personal property as mortgages and promissory notes are not taxed on their property, for the reason that the ground of exemption is public policy. It is held that the benefits of this exemption are diffused. Similarly, dealers in the commodity, sugar, could not enter a plea that a tax laid on sugar and not on all commodities was confiscation, since the manifest intention of a legislature in laying such a tax law must be to provide for a common burden by common sacrifices, for it holds that the tax will be shifted by dealers, and thus diffused throughout the community. Where a small income, like $600, is exempted from a general income tax, those who pay an income tax have no ground for complaint, because indirect taxes, which probably comprise the major portion of taxes in all civilized countries, bear more heavily on the poorer classes than on the rich and well-to-do, and because there are further technical reasons for this exemption found in the administrative machinery of government, since the expense of collecting an income tax from those whose incomes are small is excessive, taking far more from the pockets of the taxpayers than ever reaches the public treasury. More may be said on this point, and the foregoing is simply by way of illustration. Taxes must appeal to the conscience of the community as fair and equitable,[1] for the moral sense of the community has always had, and doubtless always will have, great weight in judicial decisions touching taxation as well as other matters.

[1] The constitution of Massachusetts provides that assessments, rates, and taxes shall be "proportional and reasonable." Constitution, Part II., Chapter I. § 1, Article IV.

CHAPTER II.

GENERAL PROPOSITIONS RESPECTING TAXES.

TAXES ARE NOT PAYMENTS IN EXCHANGE.

IT is well to specify some things which taxes are not, in order to bring out more clearly what they really are, and first of all, I will elaborate further the idea of which mention has already been made, that taxes are not one part of an exchange of services.

This has been implied in the definition. They are one-sided transfers of goods or services, and are not mutual. The citizen pays because he is a citizen, and it is his duty as a citizen to do so. It is one of the consequences which flow from the fact that he is a member of organized society. Man, as a human being, owes services to his fellows, and one of the first of these is to support government, which makes civilization possible. Only an anarchist can take any other view. To the ordinary man it appears right that he should be called upon to give not only his property for the promotion of common interests, but even his life, if need be. He asks only that it shall be by some common rule. While the citizen and all human beings derive benefits from the existence of government, these benefits come to them as citizens and as human beings. A failure to pay taxes never works a forfeiture of the common rights of citizens, and the pauper who receives from the community instead of paying to it, has inalienable rights as well as the millionnaire, and under certain circumstances all

the expensive machinery of government will be placed at his disposal. Nor can I even urge that I have not received protection, as a plea for non-payment of taxes. The police and the fire department may both have failed to protect my person and my property as they should have done, but that fact will not be regarded as a justification for a deduction from the annual tax in my house.[1] Nor yet can I go before the courts and urge that as I require no protection from the state, I should be relieved from taxation. I am not allowed to undertake to protect my own person in lieu of the payment of taxes.[2]

Judge Cooley, after making a concession to the old fiction of reciprocity in taxation, adds as a justification of taxation, "the exclusive sovereignty and jurisdiction of the state over the persons and property within its territory,"[3] evidently feeling the insufficiency of such justification as is "found in the reciprocal duties of protection and support." As I

[1] A recent writer well says that the laws of insurance and contract do not apply to taxes. When my house burns down or a thief robs me, I am not indemnified out of the public treasury.

[2] The correct doctrine of taxation is ably stated in the "Report of the Massachusetts Commissioners relating to Taxation" made in 1875. "A man is taxed," says this Report, "not to pay the state for its expense in protecting him, and not in any respect as a recompense to the state for any service in his behalf, but because his original relations to society require it. All the enjoyments which a man can receive from his property come from his connection with society. Cut off from all social relations a man's wealth would be useless to him. In fact, there could be no such thing as wealth without society. Wealth is what may be exchanged, and requires for its very existence a community of persons with reciprocal wants. . . . It is wise and right, therefore, for an individual to contribute of his wealth what the true interests of society require, and this he does, not as a payment for the gifts which society has conferred." (Page 10.)

[3] "Taxation," page 2.

take it, from a purely legal view, the fact of sovereignty may be regarded as sufficient justification, and the attempt to add to that leads to confusion of thought.

The ethical view has a larger scope. The duties to one's fellows, frequently imposed by law, are perhaps alone sufficient ethical justification. More may, however, be said. The general public through the agencies of organized government is a partner in production, and is in this capacity entitled to a share of all that is produced.[1] If any one doubts that, let him put to himself the question, How great would be the production of wealth, did no government exist?

Now if government is an indispensable condition of production, it is as truly a factor of production as any natural agent or as labor, and is as truly entitled to a share of wealth. What this share shall be, however, is determined by its own sovereignty, and not by principles of private exchange. Still further, society, of which one manifestation is government, is present in all production. No such thing as strictly individual production of wealth exists in any modern community. How much can be produced on a strictly individual basis can be ascertained by one who will isolate himself in the heart of Africa, or on the plains of South America, or even in our own fertile West, and have no dealings whatever with others. All modern production is truly social, and the dependence of the individual is felt in a thousand and one ways. Where a division of labor obtains, and we produce for others, we are dependent upon these others. If they fail to produce, we receive nothing in exchange. The activity of our competitors in production is also of vital importance, as is the competition of those who desire to obtain the things

[1] A recent pamphlet on taxation, by Mr. C. M. Armstrong, of Baltimore, bears the title of "The Guaranteed Partner of the Tax-Payer," meaning thereby the state and city.

which we wish in exchange for our commodities. The fact that an individual lives in modern society and enjoys its blessings, gives that society an ethical claim upon the individual.[1]

This, it seems to me, is also a valid reply to Henry George's views on the nature of taxes. Curiously enough he is in this respect what some might call an ultra-conservative, for he does not believe in taxes at all, but holds them to be robbery. The annual rental value of land in itself, apart from improvements, is due to the exertions of the community at large, according to the theory of rent as generally accepted. Now Mr. George says, let society take its own, namely, rent, and defray all social expenses therefrom; but what I have produced individually by my own exertions is mine by natural right against all the world, and if the public takes a part of it, I am robbed. These are not his own words, but this is a succinct statement of one of his

[1] "'Why should I be robbed of my property to pay for teaching another man's children?' is an individualist question which is not unfrequently put as if it settled the whole business. Perhaps it does, but I find difficulties in seeing why it should. The parish in which I live makes me pay my share for the paving and lighting of a great many streets that I never pass through; and I might plead that I am robbed to smooth the way and lighten the darkness of other people. But I am afraid the parochial authorities would not let me off on this plea; and I must confess that I do not see why they should. I cannot speak of my own knowledge, but I have every reason to believe that I came into this world a small, reddish person, certainly without a gold spoon in my mouth, and in fact with no discernible abstract or concrete 'rights' or property of any description. If a foot was not at once set upon me as a squalling nuisance, it was either the natural affection of those about me, which I certainly had done nothing to deserve, or the fear of the law which, ages before my birth, was painfully built up by the society into which I intruded, that prevented that catastrophe. If I was nourished, cared for, taught, saved from the vagabondage of a wastrel, I

cardinal positions. The truth is, there is in modern society no such individual production as Mr. George assumes.

What have I produced alone and unaided? Nothing.

What more than has been said is needed as a justification of taxation? And does not this avoid the confusion of thought which inevitably results in every legal and economic treatise in which it is attempted to apply the principles of barter or exchange? It is perhaps hazardous to criticise so eminent a jurist as Judge Cooley, whose learning and capacity entitle him to the universal esteem in which he is held; but is not the following quotation an illustration of the natural results of an attempt to reconcile things which are essentially irreconcilable?

"It is no objection to a tax that the party required to pay it derives no benefit from the particular burden, *e.g.* a tax for school purposes levied upon a manufacturing corporation. But in truth benefits always flow from the appropriation of public money to such purposes, which corporations,

certainly am not aware that I did anything to deserve those advantages. And, if I possess anything now, it strikes me that, though I may have fairly earned my day's wages for my day's work, and may justly call them my property, yet, without that organization of society, created out of the toil and blood of long generations before my time, I should probably have had nothing but a flint axe and an indifferent hut to call my own; and even those would be mine only so long as no stronger savage came my way. So that if society having — quite gratuitously — done all these things for me, asks me in turn to do something towards its preservation, — even if that something is to contribute to the teaching of other men's children, — I really, in spite of all my individualist leanings, feel rather ashamed to say no. And if I were not ashamed, I cannot say that I think that society would be dealing unjustly with me in converting the moral obligation into a legal one. There is a manifest unfairness in letting all the burden be borne by the willing horse." — *Professor Huxley, in his article "The Struggle for Existence," published in the "Nineteenth Century" Magazine for February, 1888.*

in common with natural persons, receive in the additional security to their property and profits." [1]

But this security, which it is said results from education, is called in question, and there are those who would have us think that widely diffused education renders property less safe. Suppose the tax-payer convinces himself that his taxes diminish the security of his property, and even convinces judge and jury, what then? The reader should also consult in this connection the statements on pages 16 and 17 of Cooley on "Taxation." It is stated that as taxation and protection are reciprocal, — which is only another way of saying that taxes are payment for services rendered, an exchange, — "the taxes levied by any government ought to be apportioned among the people according to the benefits which each receives from the protection the government affords him," and straightway the learned judge adds, but "this is manifestly impossible. The value of life and liberty, and of the social and family rights and privileges, cannot be measured by any pecuniary standard." Mr. Thorold Rogers is also quoted with approval, to the effect "that if taxation were determined by the comparative protection accorded to individuals, women and children should pay a higher rate than strong and healthy adults, since they have more need of assistance; and, if the law be effectual, get more." How then can he add in the same paragraph, that the assumption which prescribes taxation in proportion to benefits received, "is sufficiently near the truth for the practical operations of government?"

TAXES ARE NOT DEBTS.

Second, Taxes are not debts.

They are not based on contracts, either express or im-

[1] "Taxation," page 3, foot-note.

plied; they are the contributions demanded by sovereignty, in which the taxing power is inherent and with which it is co-extensive. Laws which apply to debt do not apply to taxes; and the abolition of imprisonment for debt would not carry with it abolition of imprisonment for failure to pay taxes, did the law at the time provide such a remedy for non-payment of taxes.[1]

THE POWER TO IMPOSE TAXES IS LEGISLATIVE.

This is another way of saying that taxation and representation go together. This phrase, "taxation and representation go together," never signified in law that every tax-payer should have the right of suffrage. It simply means that the legislature, composed of representatives of the people, selected, now in this way, now in that, must vote the taxes, and as such, the maxim has become one of the established principles of constitutional government. There have been always and everywhere those excluded from the right of suffrage, and, as is so well said in Cooley on "Taxation," "so long as all persons cannot participate in government, the limits of exclusion and admission must always be determined by considerations of general public policy."[2]

It is stated in our constitutions that the power to provide revenues by levying taxes pertains to the legislature. Two typical quotations from American constitutions are the following: "The general assembly shall provide such revenue

[1] Cooley, l.c. page 13.

[2] Page 45. The explanation given in the same place of the meaning of the rallying cry of American revolutionists, no taxation without representation, seems to me most satisfactory. It was maintained that taxation for the colonies was the right of the local legislature, and that the English Parliament which laid taxes was a body in which they had no representation

as may be needful,"[1] and "that no aid, charge, tax, burden or fee ought to be rated or levied under any pretence without the consent of the legislature."[2]

A still further restriction of the power to levy taxes is found in constitutional monarchies, for in these it is regarded as important to confine the right to the lower house. The form of the Queen's speech to Parliament on its opening points this out clearly, and is a beautiful illustration of an historical evolution, wrapped up in a few words. The "Speech from the Throne" read on Feb. 9, 1887, will serve as an example. It begins, "My Lords and Gentlemen," and proceeds at once to discuss the relations existing between England and other powers. It is mentioned that "cordial assurances of friendly sentiments as well as of an earnest desire to maintain the peace of the world" are received. The speech next touches upon the Afghanistan boundary, and after referring to Abyssinia, Canada, America, and other countries, proceeds, "Gentlemen of the House of Commons: The estimates for services for 1888, which have been laid before you, have been framed with a due regard to economy." When the subject of finances is left, the style of the address immediately changes again, and the speech proceeds with, "My Lords and Gentlemen: The measure which at great labor you passed last session for the benefit of Ireland," etc. Thus is the financial control of the House of Commons recognized in the forms employed in the speech from the throne in England.

It was doubtless a feeling acquired in England which led our forefathers to provide in the federal constitution that revenue bills should originate in the House of Representatives. The provision appears to amount to very little at present. for

[1] Constitution of Illinois, Article IX., section 1.

[2] Constitution of Maryland, Declaration of Rights, Article XIV.

the Senate through its power of amending bills seems to have as much control of the finances as the lower house. Should a fierce and protracted struggle between the House and Senate ever break out, like struggles in England between the House of Lords and the House of Commons, it is not improbable that the Representatives would seek to curtail the power of the Senate.

Both branches of our state legislatures are elected, and it is considered that it makes very little difference in which house revenue bills are originated. It is indeed often expressly provided in our state constitutions that such bills may originate in either house, as for example in the constitutions of Illinois,[1] Maryland,[2] New York,[3] and Florida.[4] The restriction to the lower house, of the right to originate bills for raising revenue appears to be regarded as of less importance than it once was, for the constitution of Mississippi of 1832 contained such a provision, whereas it was dropped from the constitution of 1868.[5]

Representation does not always go with taxation; for the District of Columbia is governed by Congress, and the people of the District are disfranchised. The territories are represented in Congress only by delegates; but the people

[1] Article IV., section 12.

[2] Article III., section 27.

[3] Article III., section 13.

[4] Article V., section 12.

[5] The constitution of many of the states still retain the old provision, that bills for raising revenue must originate in the lower house. These are, N. H., Mass., Me., Vt., N. J., Pa., Ind., Minn., Neb., Del., Ky., Tex., Ore., Col., S. C., Ga., Ala., La. In most of these constitutions it is provided that the senate may propose amendments, as in the case of other bills, while four provide that no new matter not relating to the revenue may be introduced. These are Me., Vt., Del., Ky. See Stimson's "American Statute Law," Volume I., page 79.

living in them are subject to the indirect federal taxes. It cannot in fact be said that the power to tax always belongs to the legislature power, for there are countries like Russia, which have no true legislation; but it can be laid down as a general principle with respect to modern constitutional countries.

TAXES ARE REGULAR AND ORDERLY CONTRIBUTIONS.

The word *taxes* comes from τάξις (*ordo*), and indicates something regularly recurring; and taxes differ thus from subsidies granted by Parliament to the king in time of urgent necessities. These subsidies were also at times called aids. Forced loans and contributions are likewise different from taxes in this respect, for they are irregular and tyrannical exactions. Benevolences of early days were sometimes gifts, as the word signifies, and at other times irregular exactions; and in either case they were not taxes, for taxes are not voluntary offerings, although they are often paid willingly.[1] It is

[1] The benevolences of early times were more in the nature of loans than taxes, although the word appears to have been used as equivalent to taxes; naturally, it would often be a matter of indifference whether a benevolence — really a forced contribution — were regarded as a tax or a loan. It appears, according to Dowell, that the rich bore a relatively small part of the public burdens, and that these benevolences, which they could well afford to pay, equalized matters somewhat. An amusing account is told of a benevolence which the handsome Edward IV. exacted of a rich widow. Expecting scarce £10, he received £20, which the widow paid him with the words, "By my troth, for thy lovely countenance thou shalt have even £20"; whereupon the king did "lovinglie" kiss her, and received for this royal favor another £20, either, as an ancient writer said, "because she esteemed the kiss of a king so precious a pearle" or "because the flavour of his breath did so comfort her stomach." Benevolences were condemned, and as such abolished, by a statute of Richard III. See "History of Taxation and Taxes in England," by Dowell, Volume I., pages 156–9.

to be noticed, whether, that the words, aids and subsidies, have also been used for true taxes. The word has been retained after its meaning has been changed. More will be said of this in the following chapter. Tribute has sometimes been used as equivalent to taxation, but it is more properly restricted to its usual meaning of forced contributions levied by a victorious foreign power.

WHAT IS CALLED A TAX IN ONE PLACE IS NOT ALWAYS CALLED A TAX IN ANOTHER.

The law is more or less arbitrary in declaring what shall be regarded as a tax; and the action of the courts in interpreting the laws is far from uniform. It was held in Illinois, for example, that a highway assessment payable in labor was not a tax, whereas in Nevada an assessment of four dollars or two days' labor on each male inhabitant between the ages of twenty-one and sixty years, was held to be a poll tax, a tax which was in that state unconstitutional.[1]

This is an illustration of the extent to which definitions are arbitrary both in law and political economy. Nature has not separated by sharp lines from all other objects any one object to which we give the name tax, as she has separated a horse or a tree from other natural objects. The word is an arbitrary sign for a somewhat varying and shifting idea. The best that can be done in such cases is to conform with what appears to be the best usage, and to work for harmony, simplicity, and unity in expression.

THE POWER OF TAXATION CANNOT BE DELEGATED.

This is a general provision applicable in modern constitutional governments. The power to tax is delegated to

[1] Cooley, page 12, note 4.

the legislature; but the general rule holds that a delegated power cannot be delegated by its recipient to others. Judge Cooley speaks of the power of local political units as "one clearly defined exception" to the rule which has existed from time immemorial, and one which as a traditional right has been tacitly or expressly incorporated in state constitutions. The power is frequently limited and regulated both by constitutions and laws. But even with respect to the local political units, it holds that the delegated power cannot be transferred. Some cities existed prior to the sovereign states of which they are now part, and retain such sovereign rights as have not expressly been taken from them. This is very often the case in Europe, and is a principle of the law of the cities in Germany.

CHAPTER III.

THE ORIGIN AND GROWTH OF MODERN TAXATION.

TAXATION AS WE NOW UNDERSTAND IT, A NEW THING.

WHILE something in the nature of taxes may be found even in the most ancient history, it is safe to say that taxation as we now understand the term is something new in the world's history. We now consider taxes as a regularly recurring burden falling upon all inhabitants of a country, and we expect taxes to defray the greater portion of the heavy and increasing expenses of our various governments.

It is not consistent with the plan of the present work to discuss the revenues and expenditures of ancient states. It may be remarked, however, that the budget of any state that ever existed before the nineteenth century would be almost insignificant when compared with the budgets of England, France, Germany, and the United States to-day. Grote estimates the annual expenditures of Athens in the brilliant age of Pericles at one thousand talents, say one million two hundred thousand dollars.[1] War was then made self-supporting by plunder and tribute, and victorious nations derived a revenue from it. Foreigners were looked to for revenue as an habitual thing[2] and personal services were exacted from

[1] In his "Public Economy of Athens," London, 1828, Boston, 1857, Boeckh says that the revenues of that city never exceeded two thousand talents.

[2] The protection-money of the resident aliens was an important item in the budget of classical Athens.

citizens which were often quite burdensome. Officials were also remunerated, as in more recent times, by fees, and offices were often a source of net revenue rather than of expense, as is usual in modern times.

What we would call indirect taxation, existed in both Greece and Rome, but it was evidently regarded as payment for privileges. Imported and exported commodities were taxed; but this tax was doubtless held to be a proper payment for the privilege of bringing goods into the country, and was put in the same category as harbor fees for the use of the harbor, or market charges for the use of the public market. These import and export duties were purely for revenue; for they were the same on exported as on imported commodities, and appear to have been what we would call ridiculously low. We hear much of a charge of a fiftieth, and ten or twelve per cent. on imports and exports was regarded as exorbitant; whereas we in the United States are not startled by taxes of fifty and one hundred per cent. on imports. Boeckh divides the revenues of Athens into regular, ordinary revenues, and irregular and extraordinary revenues. The regular revenues are by him divided into four classes, namely: "Duties (*τέλη*) arising partly from public domains, including the mines, partly from customs and excise, and some taxes upon industry and persons, which only extended to the aliens and slaves; fines (*τιμήματα*) together with justice fees and the proceeds of confiscated property; tributes of the allied or subject states (*φόροι*); and regular Liturgies (*λειτουργίαι ἐγκύκλιοι*)."[1]

None of these revenues imply modern notions of taxation. It is to be observed in studying the revenues of ancient and mediæval states that what appears to be taxation is often only

[1] Book III., 1.

payment for service or for the use of property. Ancient tithes are an example. Where these were levied in Greece, they were as a rule payment for the public property, for the public domain, and ought to be called rent rather than taxes. The land of subjugated peoples became the property of the conquerors, and the payments exacted for its use were likewise rent, rather than taxes. A poll tax was also exacted of subjugated foreigners, which was a mark of subjugation and inferiority. "As the land has less value if it is subject to an impost, so are men more degraded if they pay a poll tax, for it is a token of captivity." These words are from Tertullian,[1] and express a view also held during the reign of the Carlovingian dynasty; in fact, even up to the present century traces of the view that taxes were unworthy of freemen can be found. Direct taxes on land held in fee-simple were regarded as less degrading than taxes on persons, but these were borne with impatience, and Boeckh asserts that no such tax was laid before the Peloponnesian war.[2] It is certain that before that time other revenues, especially those from the state-owned mines, were so superabundant that surplus revenue was distributed among the citizens of Athens. There are those, however, who hold that taxes were laid in early times both in Greece and Rome, and who even go so far as to claim that the right of taxation in time of need was fully acknowledged. This seems a rather strong expression, but there appears to be reason for the view that both Greece and Rome passed from an early period of taxation to one of freedom from taxation, a time of great prosperity, and then back again to a period of heavy and increasing taxa-

[1] Tertull., Apolog. 13, quoted from Boeckh, III., 1.

[2] He says that the first regular property-tax was occasioned by the siege of Mitylene in 406 B.C., and he quotes the testimony of Thucydides.

tion in the time of their decline and fall.[1] How light the extraordinary taxes on property were is amply demonstrated by Boeckh by numerous examples.[2] It appears that the average annual tax paid on the property of Demosthenes by his guardians amounted to only one-fifth of one per cent. on its valuation, or about one-eleventh of the rate in New York City in 1887. The Athenians regarded a tax of one and two-thirds per cent. as something so exorbitant as not to be seriously contemplated.

The liturgies were somewhat like unpaid offices. They were regarded as a mark of distinction and involved large expenditures for the entertainment of the citizens or the defence of the country. The acceptance of these offices was compulsory, but as a rule more was performed by the recipients of the offices than was required, and they appear to have been held to be an oppressive burden only in a time of declining wealth and waning patriotism.

Liturgies were also known in Rome and became a source of corruption and plutocratic rule. The ædiles were expected to contribute to the expenses for the amusement of the people, and the office of ædile was a stepping-stone to the remunerative offices in the provinces which were thus rendered accessible only to the wealthy. The office of "Rex" in the carnival of New Orleans resembles an ancient liturgy save that its acceptance is not obligatory. It is, however, held to be an honor to receive it, as it was, in the best days of Athens, to perform a liturgy. It is said to cost $10,000, and is to that extent a contribution of a rich man to a public amuse-

[1] Compare, in addition to Boeckh, "Die Steuer nach der Steuer fähigkeit," von Fr. J. Neumann, Jena, 1880 (Separat-Abdruck aus den Jahrbüchern für Nationaloekonomie und Statistik), also Roscher's "Finanzwissenschaft," Book III., Chapter IV.

[2] Boeckh, IV., 7.

ment. The office of police justice in New York City has, at times, certain features which remind one of the ædiles. Police justices give picnics and entertainments to those residing in their election districts, which cost large sums.

It is interesting to notice from a recent essay on "Taxation in Japan," that in the old feudal period of that country's history the rich were singled out for special taxation as for a compulsory public subscription, "that is to say, the government forced the rich citizens of a city or town to make such subscriptions for the public treasury as the government asked for. This corresponds to the English 'benevolences' under the Tudor-Stuarts."[1] This essay shows, further, that for generations the principal public burdens were met by a labor tax and by payment of a sort of rental for the land, which appears to have belonged to the sovereign, in theory at least. It was in the nature of a tithe. Japanese taxation can be traced back to 87 B.C., and took its origin in a labor tax, expressed in days' work, for every inhabitant of middle age, regardless of sex. Such a tax would naturally bear more heavily on the poorer classes, and the special forced contributions from the rich may have been an attempt to compel them to bear more nearly their fair share of the public burdens. These two features of taxation in Japan, the labor tax and the land tax, or more properly rental, appear to have been prominent in all Asiatic countries with which we are familiar.

The ideas of Rome in the age of Cicero are well illustrated by a passage in his work "De Officiis." Cicero says: "Care should also be taken lest, as was often the case among our ancestors, on account of the poverty of the

[1] "Taxation in Japan," by Shiro Shiba. Wharton School Annals of Political Science, Volume I., page 94

treasury and the continuity of wars, it may be necessary to impose taxes, and it will be needful to provide long before that this should not happen. But if any necessity for such a burden should befall any state (for I would rather speak thus than speak ominously of our own; nor am I discussing about our own state only, but about all states in general), care should be taken that all may understand that they must submit to the necessity if they wish to be safe." What could better illustrate the difference between ancient and modern ideas of finance? Cicero spoke of a possibility of taxation with hesitation, and was careful to point out that his remarks were purely general, as if to predict taxation in Rome were something terrible and unpatriotic, betraying a lack of confidence in the future of his own state. Much as if one should now predict the overthrow of our existing social order in the near future by socialism! Yet it is probable that Cicero did have Rome in mind, his protestations to the contrary notwithstanding; for, if Plutarch may be relied upon, a tax was levied in 43 B.C., the year after Cicero wrote the "De Officiis," although for over one hundred and twenty years the Roman people had been relieved of taxes by successful wars.

THE REVENUES OF THE STATE IN THE MIDDLE AGES.

The patrimonial idea of the state obtained in the early Middle Ages when the sovereign regarded the state as his own, and at times claimed the right to dispose of it by will, or even to sell it, as if it were a piece of private property. Brandenburg, which has become Prussia, serves as an illustration. Otho the Lazy became involved in debt in the fourteenth century, and sold his right as margrave for 200,000 florins, and thereafter Brandenburg was mort-

gaged, divided, sold, and transferred like a private estate until it came into the possession of the Hohenzollerns in 1415.

When such ideas obtained, it was natural to expect the monarch to defray all expenses of government, for no distinction was made between his public and private expenses; they were all his own, just as all employés under the sovereign were servants of the prince, whether employed in his household or in public business. They were all called *fürstliche Diener*, servants of the prince, and it was only at a later period that the term *Staatsdiener* — state-servants — was employed, and then these were separated from the *Hofdiener* — servants of the court.[1]

Large domains were set apart for the support of the sovereign, both in his public and private capacity, here indistinguishably blended; and revenues which would have been private for any one else, were public as well as private. It was a favorite theory of law and practice that all private property of a prince became public the moment he ascended the throne, and it was so declared in France by law in 1607. It has thus in modern times become extremely difficult to separate public from private property, and this has led to complications. This also explains confiscations which were often regarded as a mere resumption by the public of property which had always belonged to the public, but which had been set apart for a time for certain special purposes. Land was held on feudal tenure, which means that the nominal owners were only tenants, from whom a return to the crown was due. Various fees and duties, and

[1] *Staatsdiener* and *Staatsdienst* are employed in the Prussian code of Frederick the Great — *das preussische allgemeine Landrecht.* On this whole subject, see that excellent little work, "Der Staatsdienst in Preussen," by Clemens Theador Perthes, Hamburg, 1838.

other special rights of the crown, called "regalia," furnished revenues. The Jews, particularly in England, were made to contribute heavily to the support of the crown, from which they were supposed to derive special protection. The very interesting monograph on "The Exchequer of the Jews of England in the Middle Ages," by Charles Gross, Ph.D.,[1] gives valuable information on this point. It appears that the cities on the Continent derived revenue from the Jews more frequently than did the sovereign. "In Germany the crown became weaker and weaker, parting with most of its prerogatives, among which was the control of the Jews, together with the right to tax them. What the German townsmen . . . really sought from the king, and often secured, was permission to have Jews among them, from whose plethoric purses they could borrow money, and, above all, squeeze heavy taxes. In England, on the other hand, the crown clung tenaciously to this, as well as to its other regalia."[2]

The revenues derived from the Jews may be divided into four classes: namely, reliefs, escheats, fines, and tallages. Relief was an inheritance tax, which generally amounted to one-third of the estate; while escheats were forfeitures for crimes and offences, real or imaginary, — for slaughtering Christian children, coin-clipping, counterfeiting, and the like, and it is said that it was found convenient to bring false accusations against the Jews when the treasury of the king needed replenishing. Fines were used in a broad sense, and included what we might term fees. They were paid for permission to marry or even not to marry, and for the privilege of changing one's residence. Tallages were simply

[1] London. Office of the *Jewish Chronicle*, 2 Finsbury Square, 1887.

[2] Gross, page 4.

taxes, sometimes poll taxes or capitation taxes, but generally taxes assessed in proportion to one's means. Dr. Gross estimates that the average annual tallage did not greatly exceed £5000 in the reign of Edward I.; but at that time the entire revenue of the crown was only about £65,000. It is evident that the Jews then paid altogether considerably over one-tenth of these revenues.[1]

An interesting account of a forced loan levied in Frankfort-on-the-Main, during the Thirty Years' War, not only illustrates the treatment of the Jews, but is a further indication of the character of financial operations in the Middle Ages. The essay from which this account is taken was based on a study of original documents, and appeared in the *Wochenblatt der Frankfurter Zeitung* for Jan. 1, 1888. Frederick V. of the Palatinate, and the chosen king of Bohemia, when defeated by the emperor, took refuge in Holland, and later proceeded against his enemies, with his general, Ernst von Mansfeld. When near Frankfort he sent word to the Jews that, as their protector, he was entitled to a yearly payment; that this had not been received for some years; and that he now wanted all that was due, in addition to 6000 thaler. The Jews were astonished, for they had never heard of this protectorship before. They did not refuse, but delayed payment on various pretexts. Christian of Brunswick, in the meanwhile, approached Frankfort from another side, and demanded 10,000 gulden from Frankfort, promising to leave the Jews unmolested, on condition that he received the sum. He justified the demand on the ground that the Jews were lawful prize in time of war. Finally, when these two were defeated, the Emperor Ferdinand II. pretended that the Jews had paid to the city treasury

[1] Gross, pages 25–29.

10,000 thaler for his enemies, and on this account he feigned great anger, and demanded the 10,000 thaler himself, and received that sum.

The view gradually gained ground that the office of sovereign was simply a public trust, and that the king ruled by right divine, and not as the owner of a piece of property. It then became natural to exact from the people assistance for the support of a government in which they could claim a real interest.

Yet even Jean Bodin, in the latter half of the sixteenth century, in his work "De la République," prefers revenues from public domain to all others for the support of government, and speaks of taxes in a manner which reminds one of Cicero. He says a Christian prince will resort to them as rarely as possible. Montesquieu expresses similar opinions about the desirability of revenues from domains in his "Esprit des Lois." Braunschweig-Wolfenbüttel declared in the old German Reichstag, in 1653, that taxes were contrary to the nature of the state because one entered into civil society to protect one's property and not to have it taken away. The words used for taxes are significant, for they show how taxes were regarded. What were really taxes were called aids and subsidies[1] and benevolences (*subsidium*, *adjutorium*, *petitio*. Bede). They were something irregular and unusual, something supplementary to other revenues, and were granted by the estates of the realm as a favor.[2]

[1] A tax for the benefit of the Lord Proprietor of Maryland, laid by the assembly of 1641 and 1642 was called "An act for granting a subsedye." See "Sketch of Tax Legislation in Maryland," in "Report of the Maryland Tax Commission" in 1888, page cxii.

[2] When in this century Karl Ludwig von Haller, in his "Restauration der Staatswissenschaft" (six volumes, 1816–26), denied the right of

TAXES LONG HOLD A SUBORDINATE POSITION IN BUDGETS OF STATES.

Taxes were long held to be something merely secondary and subordinate, and it was necessary to show first the insufficiency of other revenues. Taxes may still be considered as something subordinate in a modern budget, as the statement of receipts and expenditures is called. First, an estimate is made of expenditures, then of revenue from fixed sources of income, in particular from productive property of the state or municipality, or other local political units, and finally direct taxes are levied to meet the deficiency. This deficiency is now larger than the revenues from other sources in most states; and when to direct taxes we add indirect, perhaps the only modern states which derive a major portion of their revenues from domains and public works, are four of the German states. What was once merely supplementary, and is now in budgets often treated as subordinate, yields the greater portion of all revenues.[1] The old forms often continue, however. As late as 1809 an edict of Nassau, countersigned by Marschall, recognized the principle that taxes should be raised only to cover deficiencies after the revenues from the public domains and from the regalia had been exhausted. Article 109 of the constitution of Würtemberg, treats first of the needs of the state; second, of the revenues from the crown land; and third, of

taxation and claimed that it was more fitting for the master (the sovereign) to support his servants (the subjects) than to reverse the process, it sounds indeed like a voice from the tombs. See Roscher, l.c.

[1] See my Introduction to Worthington's "Historical Sketch of the Finances of Pennsylvania," Volume II., No. 2, Publications of the American Economic Association, Baltimore, 1887.

the deficiency still required to provide for the expenditures of the state. The German authority, von Seckendorff, says the revenues of the domains are destined, first, for the support of the royal family; second, for payment of the civil service employés; third, for embassies; fourth, for castles, fortresses, streets, etc.; fifth, for churches and schools; sixth, for amusements and entertainments.[1]

As the modern state developed by means of consolidation and concentration of scattered powers, as standing armies took the place of plundering baronial troops, and as payment in money, and exchanges through the medium of money, took the place of barter and truck, and as paid services took the place of compulsory services like the *corvées* of France, the needs of the state continually increased, and the insufficiency of old sources of revenue became year by year more manifest. The wasted resources of the princes must be added to the causes which increased the frequency of taxes. Weak princes squandered their public and private property, much as the people of the United States are doing at the present time. Strong princes in parliamentary states found it easier to raise revenues by sale of public property than by taxation. Feudal conditions were revoked, and tenants became fee-simple proprietors, and thus the many were robbed for the few. Theft and usurpation by nobles still further diminished public land, just as English and Scotch nobles, and others, are robbing us of our vast treasures, while a careless and indifferent and corrupt Congress wastes its time in petty wrangles and senseless partisan controversies, refusing to pass laws for the protection of the public domain which have met with the all but unanimous approval of upright and thinking citizens.

[1] See Roscher's "Finanzwissenschaft," Book I., Chapter I. § 9.

Thus it happened that taxes increased in frequency, until they became regularly recurring burdens, and contributions which were once of a more or less voluntary character became compulsory. There is an old proverb to the effect that he who gives three times establishes a claim against himself. This has been true in finance. New Haven offers a curious illustration. "In the autumn of 1644, the town began its annual contributions for the support of poor scholars at Harvard College. The offering consisted of a peck of wheat, or the value of the same, from every one 'whose hart is willing.' The largess lost its voluntary character and was regarded as a tax. The collectors of college corn were regularly elected town officers until the end of the colonial existence."[1]

In this same year an interesting note in the Records of the Colony of Massachusetts Bay in New England shows that a similar request was made in that colony. The Records of the General Court read: "It is ordered yt ye deputies shall comend it to ye sev^r^all towns (& ye eld^r^s are to be desired to give their furth^r^ance hereto) wth declaration of ye co^r^se wch was ppounded by ye said comissioners, & hath bene put in practice already by some of ye other colonies, viz.: of ev^r^y family alow^d^ one peck of corne, or 12^d^ in mony or oth^r^ comodity, to be sent in to ye Treasurer for the colledge at Cambridge, or where else hee shall appoint, in Boston or Charlstowne."[2] The implied voluntary character of the offering is noteworthy. It may be doubted whether in reality it ever had any voluntary element at all. Our Puritan ancestors, with their stern ideas of duty and their readiness to apply a vigorous boycott to obnoxious individu-

[1] Levermore, "The Republic of New Haven," page 77

[2] Volume II., page 86.

als, would probably have made things most uncomfortable for any one who should have objected to his share of the contribution.

A curious act of the Assembly of the Province of Maryland, dated 1650, is worthy of notice in this connection. It is entitled "An Order for the Relief of the Poor," and it directs that an "equal assessment" be levied on such inhabitants of St. Mary's County as will not make a willing contribution for the maimed, lame, and blind.[1]

The proprietary government of Maryland was succeeded by the convention of June, 1774, and this formed a temporary government in the following year on the basis of "Articles for Association." This endured for two years longer, or until 1777, and during that time the government was supported by contributions which were called voluntary, but the following quotation from the "Sketch of Tax Legislation in Maryland" throws a vivid light on the development of finance: "In every county, contribution or subscription lists were presented to the inhabitants. If any person declined to contribute, his name and his refusal were noted, and then consequences followed which, in those times, were more serious than a tax sale. In one county[2] the names of those refusing were directed to be recorded in perpetual memory of their principles; in others they were publicly declared by county resolutions enemies to America, and as such published in the Maryland *Gazette* reported to committees of observation, etc. As the unfortunates who were so injudicious as to allow themselves to be returned delinquent became the objects of distrust and aversion, and

[1] "Report of Maryland Tax Commission to the General Assembly," January, 1888. Part entitled "Sketch of Tax Legislation in Maryland," page cxxvii.

[2] Charles County.

subjected themselves to the suspicion of Toryism, with its grave consequences of arrest, banishment, and confiscation, it will be readily believed that these means were capable of being very nearly as effective as compulsory taxation."[1]

It was undoubtedly a more general practice in earlier times to give money to defray the regular ordinary expenses of government than now, while at the present time it is doubtless true that more is given for specific purposes, many of them purely public, than formerly. The citizens of Baltimore and Indianapolis will point the stranger with pride to fine public buildings constructed for less than the appropriations made for them. Other instances of large results with public expenditures can readily be found, and it will frequently be discovered that unpaid services of citizens, who desired to see the most made of the appropriations, contributed to the success of these undertakings. A gratifying example of large results with small expenditure is afforded by the Baltimore Manual Training School.

Citizens of Rhode Island made voluntary contributions toward her support in early days.[2]

Benjamin Franklin left a fund of £1000, which was to be lent to young married couples in sums not to exceed £60. He thought that this would at the end of a century amount to £131,000, when £31,000 was to be devoted to general municipal improvements. He directed that £100,000 should be retained for loans to young married couples until the expiration of the second century, when he thought the principal would be equal to over four millions of pounds.

[1] "Report of Maryland Tax Commission," 1888, page cxxxi.

[2] From an excellent paper on Taxation in Rhode Island, by H. B. Gardner, graduate student and late fellow of the Johns Hopkins University, as yet an unpublished manuscript. It will probably appear in the following year as a contribution to the Johns Hopkins University Studies in History and Political Science.

It was then to be divided between state and city. The fund now amounts to $73,321.00. A similar fund left to Boston amounts to over $315,000.00. One of the purposes for which Stephen Girard left his immense estate to Philadelphia was to improve the city "and diminish taxation."[1]

Examples of this sort continue even up to the present. The legacy of John L. Lewis of New Jersey, for the diminution of the debt of the United States, figures in the finance report for the year ending June 30, 1883, for $950,000. The Duke of Brunswick left a large sum of money a few years ago to the city of Geneva, Switzerland, which was used to pay the city debt, to erect a monument to the Duke, and to build a fine opera house. These instances are simply by way of illustration, for it would not be possible, without a vast amount of research, to tell the exact significance of gifts, and their amount in proportion to all expenditures.

The use of lands was given in payment for services in the Middle Ages. We may say that the offices were endowed, and frequently the land was retained, when the duties of the office were abolished or transferred to some one else. Thus the public domain was diminished. The endowment of the English churches (glebe lands) continues to the present.

Offices were sold for revenue in the Middle Ages. This often practically amounted to a sale of an annuity, for the offices were in many instances mere sinecures. Richelieu abolished 100,000 offices which had been for the most part, it appears, established in order to be sold. The civil service became so poor under this system in France that it was

[2] See "Philadelphia 1681–1887, A History of Municipal Development," by Allinson and Penrose, Baltimore, 1887, Chapter III.

necessary to reconstruct a new civil service, and thus the country had to support two sets of officials, — the sinecurists and those who did the work.

Among the other devices for raising revenues may be mentioned the sale of titles. This was actively carried on by James I. of England, when the title of baron brought £10,000, and that of an earl £12,000. The feudal dues paid to James amounted to £180,000, out of a total budget of £450,000.[1] The crown lands rented for £32,000 at this time, and the rent subsequently rose to £80,000. Lotteries were formerly often relied upon to defray a portion of the state and local expenditures in this country, and are still used for that purpose in two of our states. The Louisiana lottery[2] is the best known in this country. Prussia and other European states still support lotteries, and one reason why in some places all private lotteries were suppressed was to give the state a monoply.

It is surprising at how late a date taxation, as we now understand it, came to be relied upon as the regular ordinary source for the major portion of vast public expenditures. Indirect taxes, which in England can be traced to the twelfth century, were made important by Charles II., as will be seen in a subsequent chapter of this work, and modern public debts were first established in the reign of William and Mary, and it may, perhaps, be said, roughly speaking, that modern financiering in England was established about 1700

[1] Walker's "Political Economy," Part VI., Chapters XV. and XVI., and Wilson's "National Budget," etc., Chapter I.

[2] Louisiana derived $40,000 from the Louisiana Lottery Company in 1882. Kentucky receives $4000 a year from a tax on lotteries. Nevada derives a revenue from "gaming licenses."

TAXES FIRST PAID ONLY BY THE WEAK AND DEFENCELESS.

Adam Smith says that, in the period of feudalism, only those were taxed who were too weak to resist, and on account of their weakness the poorer classes have always, even up to the present time, been obliged to pay an undue share of taxes, as we shall see hereafter. It is now, however, a recognized principle that taxes should be laid in proportion to abilities, and, while this principle receives many different interpretations, the heavier burdens of the poor at the present time are due to poor systems of taxation and faulty administration of the laws, and not to openly expressed principle. Adam Smith probably had France particularly in mind, and there the principle was widely accepted that the clergy protected the country by their prayers, the nobles by their arms, and the commons by the taxes they paid. These ancient regulations were swept away by the French Revolution, and in this century the universality of the duty to pay taxes has become an accepted principle of political science and of actual practice.

The statement of Adam Smith is confirmed by the kinds of taxes which were employed to raise the revenues. Poll taxes, or capitation taxes, were frequent, and as these often demanded an equal sum from every one, they were specially oppressive. The insurrection of Wat Tyler in the reign of Richard II. was occasioned by a poll tax.[1] These taxes have been generally abolished in Europe and America. The constitutions of Maryland and Ohio especially prohibit poll

[1] This was preceded by an attempt to tax all in proportion to ability, but the resistance of the powerful was so obstinate that it was abandoned. See Wilson's "National Budget," etc., Chapter I.

taxes, but they still linger in some of our states as a relic of barbarism.[1]

The hearth and window taxes were especially oppressive. The window taxes increased with the number of windows, and thus people were induced to deprive themselves of the light.

The workings of this tax are well illustrated by a passage in Fielding's "Tom Jones." A landlady is represented as saying to an officer of the army: "To be sure it is natural for us to wish our enemies dead, that the wars may be at an end and our taxes lower; for it is a dreadful thing to pay as we do. Why, now there is above forty shillings for window lights, and yet we have stopped up all we could; we have almost blinded the house, I am sure."[2]

A curious illustration of Adam Smith's assertion that those paid taxes who were too weak to resist, is found in Mr. James Russell Lowell's "Address on Democracy." The author is speaking of the Provinces of Lower Austria in 1546, in which there were five sorts of persons, — clergy, barons, nobles, burghers, and peasants, — and he quotes from Bernardo Navagero, to the effect that no account was made of the peasants because they "had no voice in the diet." "Below the peasants," continues Mr. Lowell, "it should be remembered, was still another even more helpless class — the servile farm laborers. The same witness informs us that of the extraordinary imposts, the peasants paid nearly twice as much in proportion to their estimated property as the barons,

[1] "That the levying of taxes by the poll is grievous and oppressive, and ought to be prohibited; that paupers ought not be assessed for the support of the government." — Constitution of Maryland, Declaration of Rights, Article XV. This provision in regard to poll taxes has been incorporated into the Ohio constitution.

[2] "Tom Jones" appeared in 1750. It was not until 1851 that this tax was abolished.

nobles, and burghers together. Moreover, the upper classes were assessed at their own valuation, while they arbitrarily fixed that of the peasants, who had no voice."[1]

THE EARLY AMERICAN VIEWS OF TAXATION.

The right of taxation has not always been recognized even in America, new as is our history. In the report of Mr. Wolcott, Secretary of the Treasury, made to Congress in 1796, on the systems of taxation in the various states, it was stated that no direct tax had been levied in New York since 1788, and that no objects of taxation were defined by the laws nor any principles of valuation prescribed. The credit and funds of the state were ample, and their product sufficient to supersede the necessity of taxation except for county and local purposes. The tax of 1788 amounted to $60,000. The annual civil expenses of the state were $75,900 in 1796, in addition to which there were grants to universities, colleges, schools, hospitals, and some "contingent" expenses.[2]

In Rhode Island there was an attempt to conduct the government by all sorts of makeshifts, without regular taxation, for some time after the foundation of the colony.[3] Philadelphia was greatly embarrassed on account of the absence of the power to lay taxes, even in the eighteenth century; and it was resolved in 1710 "to make application to the assembly for the passage of an act empowering the corporation to make ordinances and by-laws for the better support, rule, and government of this city." It appears that no

[1] "Democracy, and Other Addresses," by James Russell Lowell, Boston, 1887, page 12.

[2] American State Papers, Finance, Volume I.

[3] Authority is Mr. H. B. Gardner's paper, to which reference has already been made.

power of taxation whatever existed under the charter of 1701; and "by the common law the power of taxation of the borough, if it can be said to have existed at all, was of the most restricted character; nor could the king or proprietor grant such a power. . . . The main sources of revenue were from fines, fees, freedoms, city property, and lotteries."[1] Fines were heavy and oppressive on account of the necessities of the city, while wharves, market-stalls, and other city property yielded an income increasing with the growth of the city. The control of taxation by the people was established by an act of 1712.

The state of Pennsylvania levied the first direct state tax in 1785. It was an annual tax of £76,945, and was levied until 1789, when it was discontinued. How poorly it was collected may be seen in the fact that the arrearages in 1795 amounted to $14,560. The annual expenditure of the state government was given as $130,000 in the report of Mr. Wolcott on the various systems of state taxation.[2] The revenue of the state then exceeded this amount, and it was stated as probable that the state would continue to be exempt from the necessity of taxation except for county purposes. Pennsylvania hoped to abolish taxation in the present century, during the early part of which a comparatively small proportion of the revenues was raised by taxation. "In 1810 the revenues of the state amounted to $353,965.08. Of this sum the interest on state investments returned $134,887.95; lands, $93,644.42; taxes, $83,658.25. The expenditure per capita was seventy-three cents, and taxes per capita were thirteen cents. . . .

[1] See Philadelphia, by Allinson and Penrose, Baltimore and Philadelphia, 1887, pages 22–29.

[2] American State Papers, Finance, Volume I. The date of the report is 1796.

Before the year 1825, with the exception of the tax on bank dividends, there was, with one minor exception, no state taxation whatever except in the way of license. In 1827 the House Committee of Ways and Means reported that there had been a steady increase in the various permanent sources of revenue; that they would suffice for the general expenses of government, and that the surplus in a few years would redeem the public debt." [1]

The financial history of Pennsylvania illustrates the extreme difficulty with which taxes can be established among people who have either never been used to them, or who have grown unaccustomed to them. The people refused to submit to any taxation whatever, and the burdens resting on the public works increased constantly, while no appeals could move them to raise any money for the support and maintenance of their own property; as foolish a proceeding as for the stockholders of a railway corporation to refuse to levy an assessment on stock for any purpose. The unwillingness to submit to taxation led to the sale of the public works of Pennsylvania, canals included, and thus the state suffered loss.

The financial history of Maryland illustrates the same fact. There were few instances of state taxes before 1841, during the present century, and by that time people had learned to look upon taxes with great aversion. The state had recklessly lent its credit to aid in the construction of works of internal improvement, and it became embarrassed by their failure to meet expectations. So obstinate was the resistance to any taxation whatever, that repudiation was openly advocated as preferable to taxation. Better advice pre-

[1] Worthington, "Historical Sketch of the Finances of Pennsylvania." American Economic Association monograph, May, 1887.

vailed, and the present methods of taxation in Maryland were instituted in 1841.

It is important for us to remember, especially at the present time, how difficult it is to re-establish taxation when the right to tax has been allowed to fall into disuse.

OTHER SOURCES OF REVENUE AT THE PRESENT TIME. — COMPARATIVE STATEMENTS.

While taxes have increased enormously during the present century,[1] a large proportion of the revenues of modern states is still derived from other sources than taxation. The published budgets of states and cities are so imperfect, even in Europe, that it is difficult to give full and complete information on the point; and in America the information which can be gathered is still more fragmentary.[2] It is to be noticed in this connection that the more modern budgets show a tendency to assume the character of the older budgets in some respects. Taxes occupy a place of relatively decreasing importance in the budgets of many states and cities. This is due to the acquisition of public works, like railroads, telephones, and telegraphs, to the extension of forest-culture by the states, and to the extension of municipal functions by the purchase or construction, of street-car lines in a few instances, of water-works, gas-works, and electric-lighting works more frequently. This explains the more cheerful tone which may be observed of late in the English municipalities. The rapid increase in local debts in England excited a good deal of alarm for a time, but it is now

[1] Facts in regard to this will be found in another part of the present work.

[2] With the resources of the United States at his command, a census official might gather enough facts to make some estimates, but these would be more or less uncertain.

found that many of these cities have valuable assets to show for expenditures. It is possible to see only the beginnings of such a movement in the United States. New York state has entered upon forest-culture, and it is now proposed that the United States should do the same.[1]

Water-works are generally owned by our municipalities, and gas-works rarely. Wheeling, West Virginia, acquired private gas-works by purchase in 1871, and the controversy about the Philadelphia gas-works in 1886 has been decided in favor of municipal ownership, in spite of powerful pressure by a syndicate of prominent men. It may safely be said that the sentiment in favor of municipal enterprises in the matter of gas-supply is a growing one, and it seems probable that popular pressure for federal ownership and control of the telegraph is becoming more intense.

The only public street-car line in the United States is that which runs over the New York and Brooklyn Bridge, but American municipalities exhibit an increasing inclination to derive a revenue from street-cars. A considerable percentage of the revenues of Baltimore is derived from the special tax of nine per cent. on the gross revenues of all street-car lines, and the regular taxes which they pay in addition, like all other corporations. A recent New York state law compels all cities in that commonwealth to sell franchises for street-cars at public auction for a percentage of gross revenues. The present mayor of New York City, Hon. A. S. Hewitt, advocates the construction and ownership of a rapid

[1] A bill has been introduced into the Congress of the United States, entitled "A Bill for the Protection and Administration of Forests on the Public Domain." It is indorsed by the American Forestry Congress, and may be said to meet with popular approval. The only question is whether the land and lumber thieves will be powerful enough to defeat it.

transit system in that city by the municipality, and a bill has been introduced into the New York legislature to authorize a municipal rapid transit system in cities having over 800,000 inhabitants. American states draw an increasingly large proportion of their revenues, in similar manner, from railroads operated by steam, several states defraying all or nearly all of their expenses from these revenues. A determination to draw more than formerly from the revenues of telegraph, telephone, express and street-car companies is already manifest. It may be said that we can discern a tendency in taxes to occupy a place of relatively decreasing importance even in American budgets.

The following table gives the net revenues of certain European states from domains and forests, during the fiscal year 1880–81 :—

1880-81.[1]

REVENUES FROM DOMAINS AND FORESTS.

Prussia	45,612,000	marks[2]
Bavaria	19,625,000	"
Kingdom of Saxony	7,007,000	"
Würtemberg	5,339,000	"
Baden	3,537,000	"
Austria	1,740,000	"
Hungary	11,497,000	"
France	25,912,000	"
Italy	1,247,000	"
Great Britain	6,700,000	"

The following table gives, in columns one and two, percentages of revenues derived by certain states from profits

[1] This table is taken from Roscher's "Finanzwissenschaft," 2d edition, page 34.

[2] A mark equals 23.8 cents. For rough calculations four marks are usually considered as equal to one dollar.

on domains and forests in 1873 and 1880 respectively, and in columns three and four gives the percentages of revenues derived from profits on all gainful pursuits of the states, or the "entire private acquisition,"[1] as it is called, in the years 1873 and 1884–85 respectively. The profits are calculated by subtracting all expenses from gross receipts. The percentages for the year 1884–85 are given for only a few German states.

STATE.	DOMAINS AND FORESTS.		ALL GAINFUL PURSUITS.[2]	
	1873	1879	1873	1884-5
Saxony	9.7	8.9	54.7	72.70
Würtemberg	13.2	9.9	42.9	37.92
Bavaria	17.3	15.9	37.0	56.71
Baden	7.1	3.9	36.6	58.49
Prussia	8.4	7.5	31.9	66.29
Denmark	2.9	4.6	26.0	...
Switzerland	4.1	...	24.4	...
Belgium	1.0	0.9	18.6	...
Netherlands	1.9	1.3	17.0	...
Norway	1.2	0.7	13.05	...
Greece	3.6	3.4	12.7	...
Russia	3.4	0.4	12.5	...
Italy	3.0	2.0	10.2	...
Chili	1.7	2.3	8.3	...
Servia	1.8	...	6.6	...
Austria	0.5	0.2	4.9	...
Portugal	0.6	0.2	4.7	...
France	1.4	1.9	3.9	...
Great Britain	0.6	...	2.5	...
German Empire	...	...	...	7.65
Alsace-Lorraine	...	...	...	15.11

[1] *Der ganze Privaterwerb.*

[2] Columns one and three are taken from Wagner's "Finanzwissenschaft," Part I., 2d edition, page 356. Column two is taken from

It is worthy of notice that the net profits on German state railways more than pay the interest on all the debt of the German state. The following table is given by von Scheel.[1] The money is in marks.

	PRUSSIA.	BAVARIA.	SAXONY.	WÜRTEMB'RG	BADEN.
Interest on debt . .	135,358,000	47,642,000	22,622,000	17,503,000	13,606,000
Net revenues of state railroads . .	164,685,000	37,317,000	27,158,000	12,848,000	12,181,000

It is worth while to record the opinion of von Scheel in regard to state-owned and state-operated railroads, as indicative of the drift of opinion in Germany. It was a matter of grave doubt in 1877 whether Prussia was doing well to acquire private railroads. Professor von Scheel says in his monograph, published in 1885, that all opportunity for serious controversy as to the desirability of state-owned and state-operated railroads has now been removed by the test of actual experience which has decided in favor of the state in European countries.[2]

Municipal statistics, even in Europe, are so imperfect that it is possible to give only isolated facts about the revenues which cities derive from property and productive enterprises. It can be safely said that these are increasing, for nearly all the facts which can be gathered show a movement towards

the Hofkalender for 1880, published by Justus Perthes. The percentages are probably derived in most cases from budgets of 1879. Column four is derived from the monograph on "Erwerbseinkünfte des Staats," by von Scheel in the 2d edition of Schönberg's "Handbuch der Politischen Oekonomie," Volume III., page 68.

[1] l.c., page 97.

[2] l.c., page 83.

increased receipts in the modern city from other sources than taxation.

Paris derives considerably over twenty per cent. of its revenues from productive property. Some of this is managed directly, but the larger proportion by companies with limited charters granted under condition that all the property should revert to the city without compensation on the expiration of the charter period. In the meanwhile, these companies divide profits with the city of Paris. Leroy-Beaulieu thinks that the revenues from public property and municipal enterprises will defray the greater proportion of the expenses of Paris before 1950, and that thereafter only a small direct tax will be needed. The expenditures of the city of Paris were about 246 millions of francs in 1882, and of this, property and productive enterprise yielded about 52 millions of francs. The gas company, whose charter expires in 1905, paid about 15 millions of this sum.[1] The payments by the company have increased, and in 1885 they amounted to 17,499,156 francs.[2]

Rent of halls and markets yields over 7 millions of francs, and the abattoirs bring in an annual return of over $3\frac{1}{3}$ millions; water-works about $11\frac{1}{2}$ millions; public conveyances over 5 millions.[3]

The budget of Leipsic, Germany, in 1886, shows receipts from taxes amounting to 4,218,007 marks, while rents and profits on property yielded the following sums: —

[1] "Traite de la Science des Finances," by Leroy-Beaulieu, 2d edition, Volume II., page 109.

[2] The price of gas is high; $1.45 for the 1000 cubic feet, or a little over 27 centimes for the cubic metre. The gas company pays 200,000 francs for the use of the public subways.

[3] See the excellent statistical works, "Annuaire Statistique de la Ville de Paris." VIe Année — 1885. Paris, 1887.

Net profits on landed estates	156,581	marks.
Forests	58,052	"
Mills, etc.	6,005	"
Meadows, etc.	35,668	"
Chase and fisheries	3,127	"
Stone quarry	11,949	"
Rents	55,967	"
Total	327,349	"

to which must be added estimated profits from the gas-works, 1,027,443 marks, which, with some other receipts, brings the revenues from other sources than taxation up to over one quarter of all revenues.

Nuremberg received, in 1883, from city property 151,740 marks, and from taxes 1,600,353 marks.

In Berlin 73.39 per cent. of expenses is paid from tax receipts, while the gas-works yield about 15 per cent.[1]

The increase of municipal revenues from other sources than taxation is seen in the statement that the gross receipts from property and gainful pursuits in forty Prussian cities, with over 10,000 inhabitants each, rose from 340 pfennige to 1014 pfennige per capita between 1869 and 1876, and the net receipts during the same period from 34 to 434 pfennige per capita.[2] In Prussia all the water-works have finally become public works, and the public gas-works produce over twice as much as the private gas-works, and these are gradually passing into municipal ownership like the water-works.

In England cities have recently begun to acquire gas-

[1] A later estimate which I have seen makes the receipts from gas-works cover 18 per cent. of all the expenses of Berlin. Gas is sold for less than $1.00 a thousand.

[2] A pfennig is about one-fourth of a cent. These statistics are taken from Roscher's " Finanzwissenschaft," § 158.

works and street-car lines. In the financial year 1883–84 the amount of money received from water-works by municipal boroughs was £1,928,585; by urban sanitary districts, £267,810; by rural sanitary districts, £19,166. From gas-works the municipal boroughs received £3,056,559; the urban sanitary districts received £307,489. From tramways the municipal boroughs received £81,980.[1]

Such data as can be obtained in regard to revenues derived by American states and cities from gainful pursuits will be given in a subsequent part of this work.

[1] From Professor Frank J. Goodnow's paper on "Powers of Municipalities Respecting Public Works." Monograph of American Economic Association, Volume II., No. 6.

CHAPTER IV.

A FEW GENERAL REMARKS ON THE WORKINGS OF TAXATION.

TAXES OFTEN YIELD LARGER RETURNS THAN ORDINARY EXPENDITURES.

TAXATION seems like a simple thing to one who has never reflected on its nature and consequences. When, however, one begins seriously to examine the financial systems of different ages and of different countries, one must be profoundly impressed with the far-reaching importance of taxation. Taxation may create monopolies or it may prevent them; it may diffuse wealth or it may concentrate it; it may promote liberty and equality of rights, or it may tend to the establishment of tyranny and despotism; it may be used to bring about reforms, or it may be so laid as to aggravate existing grievances and foster dissension and hatred between classes; taxation may be so contrived by the skilful hand as to give free scope to every opportunity for the creation of wealth or for the advancement of all true interests of states and cities, or it may be so shaped by ignoramuses as to place a dead weight on a community in the race for industrial supremacy.[1]

There are those who claim that when the state takes ten dollars from me, I am simply ten dollars poorer, and that

[1] It is proper to say that some of these observations are quoted from one of my articles on "Problems of To-day" which appeared during the past winter in the Baltimore *Sun*.

nothing further needs to be said on the subject. Nothing could be more erroneous. It makes a vast difference to me on what the tax is laid, when the tax is collected, and what is done with it. There are those who look upon taxation as so simple a thing that they feel warranted in laying down this general proposition: When money in taxes is taken from some of us to spend for other members of the community, we who pay are impoverished, or, if the reader will, even robbed for the benefit of those who receive it. This is far from going to the bottom of things. Considerations adduced in a previous chapter show its fallacy. One illustration will show us further grounds for the view that taxation requires careful study at this time from all citizens. I will give my experience in regard to taxes for educational purposes because it is merely a typical instance.[1] I was educated largely at public schools, and it is doubtful whether I should have been able to finish my school education had not the schools which I attended been supported by taxes; for where schools are supported by fees, these fees must be high in order to defray expenses if the schools are of superior quality.[2]

My educational advantages have been of pecuniary advantage to me, while the personal satisfaction which I derive from them is to me beyond price. I have become a taxpayer, and with no children of my own at public schools, I am helping to educate other men's children. If in the

[1] The reader will, I am sure, pardon this personal allusion. It is given because concrete illustrations are more readily understood than abstract reasoning.

[2] Few understand how expensive education is in modern times. The tuition fees of the Johns Hopkins University students have not covered one-tenth of the expenses. The tuition fee was at first $80 per annum, and is now $100.

course of my life I pay in taxes for schools twenty times what I have ever received from taxes levied for my education, I shall, nevertheless, think I have been well repaid, and shall always experience a feeling of profound gratitude for those who established the American public school system. While I individually gain, the community also gains, because it receives back more than it has paid out. This holds generally with regard to wise expenditures for educational purposes. The chief factor in production is man, and the better he is prepared for industrial pursuits by suitable training of hand and head, the larger will be the quantity of economic goods produced, and the more rapid the accumulation of wealth. A present burden may lessen future rates of taxation by increasing the taxable basis of a state or city.[1]

THE TENDENCIES OF TAXATION ARE VARIOUS.

Taxation is apt to lead to interference in the business affairs of private individuals, and such interference tends to foster monopoly. Taxes laid for educational purposes tend to prevent monopoly, because education renders the ordi-

[1] No tax should be levied unless the money raised thereby can be employed better by government than by individuals. This sets the true limit to taxes. This idea is well expressed in the constitution of Pennsylvania of the year 1776.

"Sec. 41. No public tax, custom or contribution shall be imposed upon, or paid by, the people of this state, except by a law for that purpose: And before any law be made for raising it, the purpose for which any tax is to be raised ought to appear clearly to the legislature to be of more service to the community than the money would be, if not collected; which being well observed, taxes can never be burthens."

The Vermont constitution of 1777 has this same provision, probably copied from the Pennsylvania constitution.

nary man better able to protect his own interests, both as an individual and as a member of society.

TAXATION AND LIBERTY.

Is it a good thing to be taxed? One replies, no, instinctively. Taxation in the popular mind is coupled with evil. It is said that only two things are certain, and those are "death and the taxes." Taxes no doubt are often a serious burden, and are frequently more disastrous in their indirect than in their direct effects. The preceding paragraph has shown that, considered from the standpoint of benefits conferred by the government, taxes are often beneficial. The benefits derived from taxes can also be seen in their connection with the liberty which we enjoy in modern times. When free political institutions would have come to the countries of Europe without taxes, is uncertain, but it is clear that they came largely through the avenue which the taxing power opened. Sovereigns found their ancient sources of revenue insufficient and were obliged to petition for subsidies which were granted under conditions. Again and again the sovereign found it necessary to petition for new revenues, and the estates of the realm continually increased their demands for concessions, until finally in England the lower House, through the control over the purse strings of the nation, has become more powerful than the Queen and the Lords. This is one of the most important keys to the comprehension of modern history. English constitutionalism has been built up on the taxing power from Magna Charta in 1215 until the present day. King John was allowed to reserve for himself the three customary feudal "aids": namely, contributions in case of king's captivity, on the knighthood of his eldest son, and on

the marriage of his eldest daughter; but, otherwise, the charter reads, "no scutage[1] or aid shall be imposed in our realm save by the common council of our realm." Green says justly in his "Short History of the English People" that the English constitutional system rests on this provision. The great Council of the Barons became the Parliament of our day when the financial needs of the sovereign compelled him to give assent to the addendum to the Great Charter in 1294, called the statute *de tallagio non concedendo*, whereby it was agreed that no taxes should be levied by the king save with the consent of knights, burgesses, and citizens in Parliament assembled. Green says, "By a change . . . within the Parliament itself we shall soon see the burgess, originally summoned only to take part in matters of taxation, admitted to a full share in the deliberations and authority of the other order of the state. The admission of the burgesses and knights of the shire to the assembly of 1295 completed the fabric of our representative constitution." Parliamentary institutions were strengthened by the Petition of Right of 1628, and the Declaration of Rights of 1689. The House which drew up the Petition of Right was summoned by Charles I. when overwhelmed "with debt and shame," and was under the control of those who had suffered by resistance to arbitrary taxation. The Petition quoted the statutes against arbitrary taxation, loans, and benevolence, and in it the Commons prayed the king that "no man be compelled to make or yield any gift, loan, benevolence, tax, or such like charge without common assent by act of Parliament." The Declaration of Rights contained this statement: "Levying money for or to the use of the crown by pretence of prerogative, without grant of Parlia-

[1] Land-tax; a commutation in money for personal services due under feudal tenure.

ment, for longer time or in other manner than the same is or shall be granted, is illegal." The Declaration of Rights was followed up by annual grants of supplies — instead of life grants, as during the reigns of Charles II. and James II. — and annual renewals of the Mutiny Act, containing provisions for the discipline and pay of the army. An annual Parliament has since that time been a necessity, in order to provide supplies for the state, and to grant disciplinary powers for the maintenance of the army. Green speaks of this as "the greatest constitutional change which our history has witnessed."[1] It is the control of the commons over the revenues of the realm which now enables the lower House of Parliament to bring the upper House to terms, and even to threaten the abolition of the Lords.

Space is too short to enable me to enter upon historical accounts of the connection between finance and liberty elsewhere, and it would take the reader too far from the immediate purpose of the present work. Any careful perusal of modern history will disclose the main facts with sufficient clearness. What has already been said will show that no political tendency is either wholly good or wholly bad. Strong kings sacrificed the public domains, and unscrupulous ones parted with public rights, rather than petition the people for aids and subsidies.

To-day the careful observer of contemporary politics must feel that, were taxes on the continent of Europe no longer necessary, the painfully acquired liberties of the people would be in serious peril. There appears to be, however, no ground for apprehension in the recent increase in revenues derived from other sources than taxation, for taxes

[1] See Green's "Short History of the English People," Chapters IV. and IX.; Roscher's "Finanzwissenschaft," Book II., Chapter III., § 53; Wilson's "National Budget," etc., Chapter I.

must still yield — and so far as we can see will continue to yield in the future — an immense sum, and the inevitable burden will be as much of a check to usurpation of power by the sovereign as can well be provided through taxation, — quite as much of a check as a heavier burden, — while the necessity of resorting to taxes for all revenues might engender a dangerous revolutionary sentiment. If stability of government and peaceful evolution are desired, the increasing revenues from public works are a reassuring sign of the times.

The United States government, on the other hand, illustrates the disadvantages and dangers which threaten a people whose government derives sufficient revenues without recourse to taxes which are felt to be a burden. The federal government derives larger revenues than it needs from indirect taxes, which many people wish to see retained for other than revenue purposes. Were the revenues of the federal government derived from direct taxes of which payers were conscious, the whole course of Congress would at once be changed. It might even be questioned whether past experience would warrant us in expecting revenues large enough for the legitimate needs of government. It is not improbable that the situation of the federal government is more disadvantageous in some respects than that of a government which should derive its whole revenue from property or productive pursuits.

It was an attempt of an English king to tax the American colonies, it may be mentioned in this connection, which led to the final outbreak between this country and Great Britain, and thus to the establishment of our liberties.

It is worthy of note, also, that a free people will submit to a heavier taxation for purposes of which they approve, than

people living under a despotism. The history of the United States again serves as an illustration.

TAXATION AND SOCIAL REFORM.

John Stuart Mill laid down the general principle that governments should do what they could to redress the wrongs and injustices of nature, and Professor Adolf Wagner of Berlin has developed the idea that the taxing power should be used as a lever for bringing about a more desirable distribution of wealth. Progressive taxation is one of the favorite devices which have been urged for this purpose. Limitation of the right of inheritance and bequest and abolition of collateral inheritances *ab intestato* have been urged with this in view.

High licenses for the right to sell intoxicating liquors are advocated as a means of social reform. The land-tax scheme of Henry George has been described as simply reform in taxation, and it may be so considered, although, as already explained, he does not grant the existence of a general right of taxation. Thucydides said he was a dangerous citizen who gave no attention to politics. When one considers the tremendous importance of taxation, one feels inclined to call him a dangerous citizen who gives no attention to the principles of taxation.

CHAPTER V.

THE DIFFERENT KINDS OF TAXES.

CLASSIFICATION OF TAXES HAS BECOME IMPORTANT.

WHAT has been said in previous chapters shows the small importance which could be attached in early ages to a classification of taxes. It was then sufficient to mention the few taxes which existed, and to describe them. Possibly it is only in this century that nations, states, and cities have had what may fairly be termed classes of taxes. There are now, however, taxes of so many sorts that one will find it impossible to understand taxation unless the different kinds are arranged in subdivisions and these characterized by their main features. The richness and fulness of modern industrial life render it like the natural world in complexity, and the student is forced to resort to similar methods in his investigations.

THE CLASSIFICATION OF THE PHYSIOCRATS.

Jean Bodin speaks of direct and indirect taxes in his work, "Six Livres de la République"; but this distinction appears to have been made familiar by the teachings of the French economists, the Physiocrats[1] of the last century. The Physiocrats taught that land was the only source of new wealth; and agriculture, consequently, the only truly produc-

[1] The three most prominent Physiocrats were Quesnay, Gournay, and Turgot.

tive pursuit. Agriculture yielded, so they taught, not only returns on labor and capital, but a surplus or rent. This rent they called the *produit net* — net product. Now as this *produit net*, or rent, was the only source whence additions to existing wealth could come, they endeavored to show that all taxes must of necessity be paid out of rent. If they were laid on persons, pursuits, or commodities, they would be simply shifted to the landowner. They advocated, therefore, a single tax on the rent of land, and this tax they called direct, because it was at once paid by the tax-bearer. All other taxes were called indirect, because they were shifted, and were ultimately paid by a person who did not in the first instance pay them — or, more properly speaking, advance them. The distinction which the Physiocrats made has become the generally accepted principle for classification both in the practical administration of public affairs, and in science. Taxes, it is generally stated, are direct which are borne ultimately by the one upon whom they are in the first instance laid, while taxes are called indirect when they are paid by one person and by him shifted to another. Those taxes which the Physiocrats considered indirect have since their time been held to be partly direct and partly indirect; for subsequent writers have entertained different views about the incidence of taxes — the technical phrase which refers to the real as opposed to the nominal payment of taxes.[1]

OTHER CLASSIFICATIONS.

No economic writer now believes that a tax on rent is the only one not shifted. The incidence of taxation has,

[1] Fawcett's definition. The real or ultimate payment of taxes is also discussed under the technical terms, the shifting of taxes, or the repercussion of taxes.

however, long been a subject of controversy, and the distribution of taxes between the two classes must vary with the ideas of different writers on this topic, provided the old principle of classification is retained. This distribution must also change with every new theory respecting the incidence of taxation. The observation of the uncertain character of this classification has recently led to search for new principles for classification. Some scholars have adopted new terms for the main kinds of taxes, while others have retained the old terms, but have defined them differently. It may be well to consider one or two classifications.

Professor Rau of Heidelberg divided all taxes into assessed taxes and expenditure taxes. Assessed taxes were defined as taxes levied on the basis of an assessment or valuation. The object taxed is assessed or valued. Expenditure taxes were defined as taxes levied on articles of consumption, such as food, clothing, and the like; or literally, "taxes levied on account of a transaction in which an individual manifests an intention of undertaking a consumption."

It may be objected to this classification that it is not sufficiently inclusive, and also that it does not direct attention to the main features of the two taxes. Many stamp duties[1] could not be well included under either class, and taxes on commodities are after all frequently based on an assessment of the object taxed.

Senator Sherman, in a speech on the income tax in the United States Senate in 1871,[2] incidentally divides taxes

[1] Stamps on checks and bills of exchange could not be included. It is also difficult to tell how many of our license taxes could be brought within either class.

[2] January 25. See his "Speeches and Reports on Finance and Taxation." New York, 1879.

into these two classes: taxes on possessions, and taxes on consumption. The same objections would hold against this classification, and in addition it may be said that a distinction ought clearly to be made between property and income.

The distinction between direct and indirect taxes ought to be retained, if possible, as it has been so universally introduced; but each kind of taxes should be so defined as to separate it clearly from the other, and so as to make it correspond to well-known facts rather than more or less conjectural theories. The recent efforts to define direct taxes and indirect taxes with more precision seem, therefore, to be a move in the right direction, and two of these definitions are worthy of note.

Paul Leroy-Beaulieu in his "Traité de la Science des Finances," gives this definition: "Direct taxes are those which the legislator intends should be paid at once and immediately by him who bears their burden. They strike at once his fortune or his revenue, and every intermediary between him and the treasury is suppressed, and a rigorous proportionality is sought between the tax and his fortune or ability to pay taxes."

Indirect taxes, on the other hand, are defined by Leroy-Beaulieu as "those which the legislator does not intend should be paid at once and immediately by him who bears their burden, and he does not seek to proportion them to his revenues or fortune. The legislator seeks to lay them on the one who it is intended should bear their burden in a roundabout way. Intermediaries are put between him and the treasury."

The income tax, land tax, and tax on personal property, on successions and gifts, and on horses and equipages, are included under direct taxes, while taxes on commodities,

stamp duties, and fees for registering or recording legal documents are by this definition placed among the indirect taxes.

It may again be objected that the intention of the legislator is too uncertain an element for the characterization of a scientific conception, while the facts in regard to the repercussion of taxation are often uncertain. Was the tax of two cents formerly laid on bottles of patent medicine which sold at retail for fifty cents, paid by the consumer or manufacturer? Which one did the legislator seek to relieve when he removed the tax?

Professor Knies gives the following definition, which seems to me preferable: "Direct taxes are taxes which are based on an assessment of a person's property and business, or bear directly on the person of the tax-payer. Indirect taxes are taxes not based on such an assessment, but taxes which are levied when the existence of a taxable object, or source of taxes (productive property), is presumed from other evidence than that of direct assessment or valuation." [1]

This definition characterizes taxes according to the source whence the power to pay them is derived. Land is taxed because it yields an income and a tax can be paid out of this income. It is the source of the tax. A carriage horse kept for pleasure is not a source of income, but it is presumed that the owner of the horse has an income out of which the tax may be paid. The existence of a source of taxes is inferred from an evident fact. This is similar to the principle on which the Physiocrats based their classification. The direct tax, according to both the Physiocrats and Knies is that laid on the source of the tax.

The essential point, as I take it, is not whether the tax is paid directly or indirectly by the one who bears the burden,

[1] Translated from my manuscript notes on Knies's lectures.

important as that is in many ways, but the nature of the economic goods on which the tax is laid should be made decisive in separating taxes on things, and then other taxes may advantageously be grouped about these.

Taxes on real property and on incomes are by general consent direct taxes. Property and income are assessed and taxes are imposed according to some rule of proportion, but income and property are not necessarily taxed in the same proportion.[1]

Indirect taxes are taxes on articles of food, drink, and clothing, or articles of consumption, or, as is most frequently said in America, on commodities. An accessory circumstance is, that they are, as a rule, paid by a dealer who adds the tax paid with a profit to the price of the article. This does not invariably happen, for sometimes the dealer is so situated that he must bear the tax, although it is obviously the intention of the legislator in most cases that he should shift the burden. When I import my own books, however, the tax I pay on their value is as truly indirect as when I purchase the books of a foreign dealer; but I usually save by doing so, because I am not then obliged to pay a profit on the duty. When a Parisian brings food into the city of Paris, it is taxed by the municipal authorities, and the tax is an indirect one whether the food is designed for his own use or for sale. This definition includes customs duties and internal revenue taxes, which are mainly thought of by the economist when he uses the term indirect taxation.

The indirect system of taxation arose when Parliament, in the reign of Charles II., "divested the landed gentry of all feudal obligations to the crown, without touching their privileges," and replaced these obligations by taxes on beer,

[1] Zurich and Basel have different rates, for example.

wine, tobacco, and spirits.[1] These were all taxes on articles of consumption.

The definition of direct taxes may now be completed by adding other taxes which it has generally been agreed to call direct, and which will be found to have certain characteristics in common, as, for example, that they imply a list of taxable persons, natural and artificial, and that they are proportioned more nearly to the ability of the tax-payer than can well be the case with indirect taxes. Sometimes direct taxes carry with them the assessment of all a man's fortune, more often of his total income, and perhaps still more frequently, the valuation of all of certain species of property; whereas indirect taxes are specific, a fixed charge for an object without assessment, as so much a pound for sugar; or the single object alone is valued and taxed without reference to the value of other property which the tax-payer or tax-bearer may or may not have. I would then give this as a definition of direct taxes.

Direct taxes are taxes on trades (including any branch of business), on pursuits, on property consisting of other economic goods than articles of consumption, and on income.

This definition includes taxes on articles of luxury, such as dogs, horses, carriages, and also on successions and gifts.

Indirect taxes, on the other hand, are taxes on articles of consumption, or on commodities, as that term is now usually understood, and also taxes levied on occasion of certain transactions, as the payment of money by check,[2] or the recording of deeds or mortgages. The following table will help the reader to understand this classification, and also the various subdivisions of these two classes: —

[1] Wilson, "National Budget."

[2] Formerly in the United States.

TAXES
(A) DIRECT
I. Real (Science) (objective)
1. Property
a. Immovable (immobilia) or Real (America).
2. Business
b. Movable (mobilia) or Personal (America).
II. Personal (Science) (subjective)
1. Capitation or poll.
2. Income.
a. Assessed.
b. Ordinary business or professional licenses.
c. Franchise Taxes.
(B) INDIRECT
I. Excise or Internal Revenue
1. Octrois and Local (Europe).
2. State and National.
II. Customs Duties
1. Exports (a few foreign countries).
2. Imports.
III. On Occasion of Certain Transactions (Verkehr).

Direct taxes are divided into two main sub-classes: namely, real and personal taxes. It is to be noticed, however, that these terms are not used with the meaning which is current in the United States. Real taxes are taxes on things, as the word real (*res*) signifies. A tax on land is an example. It is a certain charge resting on the land, and has no reference to any particular owner. Land in Baltimore in the year 1887 was taxed for state and city purposes $1.78¾ on the $100 of valuation, and the personality of the owners was not at all involved. One owner of land in the city might be able to obtain two or three times as much from land worth $1000 as another, but this fact could not be brought into consideration by the assessors. One owner might be largely in debt for the land, while others owned their land free from obligations; but this likewise was not a question involved. Business taxes are also regarded as real taxes, as they are taxes on pursuits. The more prominently the personal element is brought forward, the closer the resemblance to a personal tax. When each person engaged in a given occupation is charged a certain sum per year, no consideration of the personal element enters into the tax. This may also be said of a tax based on capital employed or rental value of premises. Things are taxed — using the word *things* in the broadest sense so as to include transactions and occupations. When the personal ability of the merchant or physician, as formerly in the New England colonies, was estimated, and this was allowed to influence the amount of the tax, it in so far approached the nature of a personal tax.

Personal taxes are, then, taxes on persons. An income tax is the chief of personal taxes, now that poll tax or capitation tax is generally held to be antiquated, and has been abolished in most places. A man's income is taxed, re-

gardless of its source, in a properly constructed income tax. It may come from lands, houses, bonds, or pursuits, but this is of no consequence. A person from one source and another derives an annual revenue. It is something which gathers about a person. It is properly called a personal tax.

This distinction is of great practical importance. A tax on land can have no reference to a mortgage, because it is a charge on a thing, and the fact that the land is mortgaged is a personal matter. The mortgage may, however, with propriety be exempted from taxation on the ground that it and the land together represent but one source of taxes; and also on other grounds which will be discussed hereafter. An income tax allows, on the other hand, a deduction of interest paid on the mortgage from income, because that lessens income. Income is what is left after business expenses are paid. Personal expenses, like house-rent, may not with propriety be deducted from income before it is taxed, because income exists for the sake of personal expenditures.

Taxes on property are divided into taxes on immovable and movable property, called in the United States real[1] and personal property respectively.

Business taxes are assessed taxes when they are a percentage on a valuation, as, for example, a certain percentage on all the capital employed in a business. They are the ordinary licenses, when they are a fixed charge for the privilege to pursue an occupation. This is common in the southern states, and they are often graduated with reference to the capital employed, as in Maryland, where business men are roughly

[1] Or real estate. "Real estate for the purposes of taxation shall include all lands within this state and all buildings and other things erected on or affixed to the same." "Public Statutes of Massachusetts," Title III., Chapter XI., § 3.

divided into a few classes according to the amount of their stock and the license graded accordingly. The licenses are specific and not a percentage charge, and vary from $12 to $150 for those "who barter or sell goods."

A franchise tax is a tax on a franchise for a corporation. This is not a tax on capital or on real estate, and does not exclude additional taxation. It is payment for a privilege.[1] A franchise tax has become a popular form of taxing railroads in the United States, and is usually a percentage of gross receipts which varies with the amount of gross receipts per mile.

Indirect taxes are either taxes on goods manufactured or produced at home for home consumption, or taxes on commodities entering the home market or leaving it, or taxes levied on occasion of certain transactions. Internal revenue taxes are national in America, as they are levied by the federal government. The chief commodities subject to these taxes are intoxicating liquors and tobacco in its various forms. The states are unable to make use of their taxes, first, because the federal government has made use of them, and has, as it were, already occupied the ground; and second, because taxes laid on commodities produced or manufactured in one state would tend to drive the business to another, and our states are forbidden by the federal constitution to protect themselves by taxes laid on their frontiers as a counterpoise. Elsewhere, however, certain taxes on commodities may be found within states, and on the continent of Europe it is common for cities to raise revenue on food products when brought into the cities. Cities like Paris are for this purpose

[1] So decided in Maryland by the Court of Appeals, which declares that "there is a distinction between a tax on property and on franchises." State *v.* Philadelphia, Wilmington, & Baltimore Railroad, 45th Md. 378. See "Maryland Tax Commission Report," 1888, page 38.

surrounded by a line of little taxing-stations — miniature custom houses, as it were.

Customs duties may be laid on goods leaving the country, and are thus laid in Brazil, some of the West India Islands, and elsewhere. Customs duties are by the federal constitution limited in the United States to duties on imports.

Taxes are levied when certain transactions take place, in particular when property changes hands. Charges are exacted for recording deeds, mortgages, assignment of leases, release of mortgages, etc. Court charges fall likewise under this head, as well as stamp duties on checks, bills of exchange, promissory notes, and many other documents.[1]

Modern writers on finance use the word *fee* as a special return made by an individual for a special service on his behalf performed by public authority, when the service, although rendered for the sake of the general public, conveys a special advantage to the one who is asked to make a contribution, provided the fee does not exceed the cost.[2] The services rendered by civil courts serve as an illustration. One who maintains his rights in the courts is supposed to confer an advantage on the public. A question which my neighbor has settled for himself in the courts may save me the expense of a long and tedious litigation. As the one who calls for the services of the court, however, is supposed to derive a particular individual advantage therefrom, it is

[1] Most stamp duties in America have been gradually abolished since the Civil War.

[2] "Fees (*Gebühren*) are receipts from individuals to cover part of the expenditure of the state on account of a service, which, although performed in the interest of the general public, conveys a special advantage to said individuals." — *Carl Knies.*

"Fees are a special counterservice in return for a service of the state." — *Adolf Wagner.*

held to be right that he should be asked to make a special contribution.[1] Fees may cover cost or only partially cover cost; but when they yield a profit, they should be regarded as an indirect tax. Fees have often assumed this character, and have been an obstacle in the way of certain transactions, like conveyances of land,[2] which has been of great injury. High charges for the services of the judicial authorities have been condemned by John Stuart Mill and others, because they render legal protection a farce for all save the wealthy.

What is levied in the form of a tax on a transaction may really become a direct tax. Should a charge for recording a deed vary in proportion to the value of the estate transferred, this would amount to a direct tax on occasion of change of ownership.

Fees for patents at Washington more than cover the cost of the Patent Office, and to the amount of this excess it may be said that charges for patents are an indirect tax, for the Patent Office is not managed for the sake of the individuals who apply for patents, but primarily for the public good.

Fees have, in great cities in this country, yielded enormous returns. It is said that a single office in Philadelphia was a few years ago worth $100,000 a year to the man who held it, on account of fees, and rumor told us of offices in New York City worth $50,000 and $75,000 a year. There has been a general movement in the direction of fixed salaries in cities in place of payment by fees,[3] and fees are then

[1] The fact that the loser often pays the "costs," or fees, has nothing to do with this. They are often transferred to him as a sort of penalty.

[2] In England, for example.

[3] The constitution of Maryland renders this compulsory, save in a few cases.

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violates one of the celebrated four canons of taxation; for it takes from the pockets of the tax-payer far more than it puts into the public treasury. It is a wasteful kind of taxation. This is not "mere theory." It is a fact of which any one can satisfy himself by conversation with intelligent merchants who understand the operations in which they are engaged.

INDIRECT TAXES VIOLATE THE PRINCIPLE OF EQUALITY.

Another accepted canon of taxation is, that its amount should be measured in each case in proportion to ability or the revenue which a citizen of the commonwealth enjoys. This is what is called equality of taxation. Government should exact equality of sacrifices of us all. An income tax honestly assessed and honestly collected meets the requirements of this canon. How does the case stand with indirect taxation? This is taxation of consumption; but does consumption of taxed commodities vary with income? We import salt and tax it nearly fifty per cent. of its value. Does the rich man consume more salt than the poor man? Do you increase the amount of salt in your soup with an improvement in your financial condition? It is said that, on the contrary, the amount of salt consumed by the poor man is greater than that consumed by the rich man, because the latter uses other condiments, while salt is often the only seasoning the former enjoys. We have in a tax like this what is called a regressive tax, a tax which increases as income decreases — the worst kind of a tax and the most unjust. The tax on sugar is over seventy-five per cent. on value, and from it a large part of our revenue is derived. It is similar in principle, although there is a difference in

rates according to value of sugar, so that higher grades pay more, and it is true that people of large means consume more than poor people. But the difference in rate and in quantities consumed by no means corresponds to differences in incomes. It may be doubted whether a man with ten thousand a year consumes less than one with fifteen thousand, and he certainly does not consume an inferior quality of sugar. A man with two hundred thousand a year will not consume twenty times as much as one with two thousand a year, much less will he consume one hundred times as much. Here we still have the regressive tax. But take even the tax on silks imported, which yields fifteen millions a year, and appears to be one of the fairest of indirect taxes. The rate is almost fifty per cent. Silk can hardly be called an article of superfluous luxury at the present time, and a lawyer who supports a family on three thousand a year is taxed out of all proportion higher than the plutocrat whose income is three hundred thousand dollars. It is needless to continue illustrations. With the progress of democratic thought, the idea of progressive taxation meets — rightly or wrongly, that need not be discussed here — with increasing favor; and some of the states where the principles of democracy are carried farther than anywhere else in the world, the Swiss cantons, have recently introduced progressive taxes on property and on income, but our federal government relies wholly on a system of regressive taxation.

But this is not all. Take up any treatise on taxation and read the arguments in favor of indirect taxation, and what is the first thing to attract attention? It is that with the present calls upon civilized governments, and with the unwillingness of people to pay direct taxes, and the resistance which men of means offer to high direct taxes in proportion to income, it is practically impossible to maintain the

modern government without large contributions from people of limited resources, and the only way to tax them is by indirect methods; in other words, mingling taxes with prices paid, so that goods cannot be bought without paying taxes. It is, too, worthy of notice that the English system of indirect taxation which we have inherited originated in the corrupt reign of Charles II., about two hundred years ago. Then the burden of government rested upon the land held by feudal tenure, but the Parliament of Charles II., "by a majority of two only, divested the landed gentry of all their feudal obligations to the crown without touching their privileges, and as compensation to the state imposed an excise duty upon beer, spirits, wine, tobacco, and numerous other articles. . . . It marked the dawn of our modern system of indirect taxation; and the emancipation of the aristocracy from special burdens on land thus accomplished helped to alter the whole current of our later fiscal history." These are the words of an English writer on finance.[1]

INDIRECT TAXATION AND PAUPERISM.

There is a connection between indirect taxation and pauperism which is worthy of notice. All direct taxation places a limit below which it will not go, usually varying in American states between one hundred and five hundred dollars; in other words, property of a lower valuation is not taxed.

Indirect taxation does not discriminate between the last dollar of the poor widow and the dollar which is only one in an income of a million. It raises prices, reduces the

[1] "The National Budget, National Taxes and Rates," by A. J. Wilson in the "English Citizen" Series.

value of income, and forces some who are already near the awful line of pauperism to cross it, and thus puts to death higher aspirations in a class of citizens and lowers the level of civilization. But the absurdity of the thing is seen in this, that when the tax has destroyed the value of a man as an industrial factor in the community, what is taken away is given back in alms!

INDIRECT TAXES OBSTRUCT TRADE.

The cost of collection of indirect taxes is high, and necessitates an army of spies and informers. They thus interfere with liberty of movement and obstruct trade in a thousand ways. Thus, again, indirect taxes take out and keep out of the pockets of the people more than they yield to the treasury of the state.

INDIRECT TAXES AND MONOPOLY.

It may be laid down as a general proposition applicable to all modern nations, that indirect taxes have been found to promote the tendency of business to concentration in a few hands, and this is one of their most unfortunate effects. This also explains the strange phenomenon of men asking to be taxed.

The tobacco manufacturers and the whiskey distillers desire to see the present indirect federal taxes on the commodities which they produce retained, while the manufacturers of matches, who had secured a monopoly, sent a lobby to Washington to work — fortunately without effect — against the repeal of the taxes on matches in 1883.

The reasons why indirect taxes favor those manufacturing on a large scale are many. A discount, for example, was

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not money taken from the pockets of the tax-payers at all. This item of expense is a vicious and needless feature of the administrative machinery.

The total receipts of New York City from taxes amounted to $31,568,096.98 in the year 1886, and the "Department of Taxes and Assessments" and the "Finance Department," together, are charged with $361,961.21 in the "appropriation account," which would be a trifle less than one and one-sixth per cent. It must be remembered, however, that these departments have some other duties than those concerned with the collection of taxes.[1]

It is an impossibility to tell what it costs American states and cities to collect their direct taxes, for returns are too imperfect. Nothing more than guess-work is possible. From such examinations as I have been able to make, "I guess" it is not less than three per cent., but I believe it quite practicable for all larger cities by better systems of taxation and improved administrative machinery to reduce the cost to less than two per cent., and this is far below

[1] In a letter from Hon. A. J. Perry, county clerk of Knox County, Ill., the following facts regarding assessment and collection are given: The township collectors in Knox County receive two per cent. of amounts collected by them. In Galesburg, the county-seat, the collector receives a salary amounting to about one and one-fourth per cent. The salary of the county treasurer is more than covered by his fees, which are one per cent. of sums received as county and state taxes. The assessors in the townships receive $2.50 per day. The average cost for assessing is about $125.00 per township of $450,000 valuation.

The following statement of the cost of collection in Illinois is found in Dr. Patten's essay on "Finances of States and Cities of the United States": Tax collectors in counties with less than 20,000 inhabitants receive three per cent. of the taxes which they collect; in counties with from 20,000 to 70,000 inhabitants, two per cent., and in counties with over 70,000 inhabitants, one and one-half per cent. as compensation for their labor.

what it would cost them to collect revenues by any conceivable system of indirect taxation within their reach. It must further be remembered that the indirect cost of indirect taxes is more serious by far than the direct cost. This has been amplified in what has been said about obstructions to trade by indirect taxes, their tendency to foster monopoly, and their expensiveness as seen in increased cost of production, each producer adding to his advance until the burden rests on the tax-bearer, the consumer.[1]

When it is desired to make people of small means contribute to the support of government, it can only be done by indirect taxation, because they are not prudent enough to save money for the tax-collector, and it costs far more to collect direct taxes from very small properties or incomes than it does to collect indirect taxes,[2] and is a greater hardship. Direct taxes have been paid monthly, but quarterly payments are the smallest which work well, whereas indirect taxes can be paid day by day in purchases.

[1] Matches which formerly sold in Baltimore for fifteen cents for six boxes now sell for six cents for six boxes. Of the difference of nine cents, six was the federal tax. A reduction of six cents in taxation effected a reduction of nine cents in price. The cost of getting the six cents from the pockets of the tax-payers to the treasury was fifty per cent. plus the cost of the administrative machinery, which would make the total cost of collection about fifty-three per cent.

[2] More will be said about this in a subsequent part of this work.

CHAPTER VII.

THE LITERATURE OF TAXATION.

PAUCITY OF THE LITERATURE OF TAXATION.

THE literature of taxation in the English language is meagre, and an American literature on this subject can scarcely be said to exist. American states and cities spend over three hundred millions of dollars annually, and the annual expenditures have long been increasing with rapidity, and may be expected to increase in the future. The amount of these revenues, the manner in which they are raised, and the purposes for which they are expended are of vital concern to every American citizen; yet, strange as it may seem, the present is the first work on taxation in American states and cities.

REPORTS OF TAX COMMISSIONS.

Numerous reports of tax commissions have appeared, but these have been printed as public documents and are not readily accessible — a fact which, as to some of them, is perhaps no misfortune. One of the most noteworthy of the reports of special state tax commissions appointed to investigate the subject, is the "Report on Local Taxation," made by Messrs. David A. Wells, Edwin Dodge, and George W. Cuyler, commissioners appointed by the governor of New York. The report was made in 1871, and was published in the same year.[1] This Report has done more than any

[1] New York, Harper & Brothers

other publication to draw attention to the subject of taxation in American commonwealths.

The "Report of the Massachusetts Commissioners relating to Taxation," made in 1875, and printed as a public document, is a carefully prepared volume which deserves the attention of the special student. It advocates the retention of the main features of the existing system of taxation in our states.

The "Report of the Revenue Commission of Illinois," made in 1886, suggests certain reforms in the taxation of railroads, and elaborates a new and simple scheme for estimating their value. It also advocates the separation of the sources of state revenues from those of local revenues, and of this more will be said hereafter.

The "Report of the Tax Commission of Baltimore," made in 1886, presents a carefully elaborated administrative system for the assessment of municipal taxes, which will be reprinted in this volume in its appropriate place.

The "Report of the Maryland Tax Commission," made in 1888, gives a description of the existing system of taxation in Maryland, and the appendix contains an historical sketch of tax legislation in the state, from the colonial period to the present time. It is shown in the body of the Report that railroads in Maryland pay less than half as much as individuals, in proportion to their property.

TREATISES ON POLITICAL ECONOMY AND FINANCE.

Treatises on political economy usually have a few chapters devoted to taxation; but these do not as a rule go beyond very general considerations; and when they do enter upon historical developments, or descriptions of actual financial systems, it is almost invariably only national finance

which is discussed. Walker's "Political Economy"[1] presents some general views which deserve attention. Fawcett's "Political Economy"[2] contains a chapter on local taxation in England, while John Stuart Mill in his classical treatise[3] discusses general principles with his usual profundity of thought.

The great German works are far more inclusive. Over thirty years ago Professor Roscher of the University of Leipsic began a work entitled "A System of Political Economy," to be completed in four volumes, on which he is still working with that diligent research which so characterizes the German student. The first part of Volume IV. treats of finance, and has recently appeared.[4] It makes a book of nearly seven hundred pages, and presents a sketch chiefly historical and descriptive, but also critical and suggestive, of the finances of modern nations, states, and cities.

The greatest financial work which has ever appeared is that of Professor Adolf Wagner of Berlin, and this is also a part of a larger economic treatise. Two volumes on finance have already appeared, and one or more are to follow. Wagner exhibits in the treatise the results of careful research, of legal training, of some practical political activity, and of wonderful profundity and originality of thought. The book does not appear to be in every respect well arranged, and it is not easy reading for one who has not a complete mastery of the German language. Wagner has also been blamed for long digressions on matters like railroads and forestry, but it seems to me without cause. Were political economy and finance as highly developed as some of the natural sciences, familiarity with such topics might be presupposed, or the

[1] New, unabridged edition, Henry Holt & Co., New York, 1887.

[2] Sixth edition, London, Macmillan & Co., 1883.

[3] Unabridged edition.

[4] Second edition, Stuttgart, 1886.

reader referred to other works; but as matters are, it is often necessary as one proceeds to explain things, a knowledge of which is required for a comprehension of other matters, although one is well aware that they could with more propriety be discussed elsewhere. Wagner's work is one which no special student of finance in our day can afford to neglect,[1] whatever may be his own views.

The only complete economic treatise presenting the science as it is to-day is one which has been prepared by the co-operation of some twenty-five of the highest German authorities, under the editorship of Professor Gustav Schönberg, of the University of Tübingen.[2] The third volume treats of finance and administration, and is, probably, the most useful handbook of all the German treatises; at any rate, it is the treatise which should be procured by the student whose means will not enable him to purchase more than one work. Perhaps the most important of the monographs embraced in this volume are those by Helferich on the "General Principles of Taxation," by von Scheel on the "Revenues from Gainful Pursuits," by Wagner on "Direct Taxes," and by Baron von Reitzenstein on "Local Taxation."

One of the earliest complete and systematic treatises on finance was written by Professor Lorenz von Stein of the University of Vienna, the earliest, I think, of the standard treatises.[3] Stein is one of the highest authorities on administration, and his work on that subject was the first attempt to treat it as an independent science. His "Text-Book of Finance" treats laws concerning finance as a part of admin-

[1] "Lehrbuch der Politischen Oekonomie." Volumes V. and VI. C. F. Winter'sche Verlagshandlung, Leipsic and Heidelberg.

[2] Second edition, Tübingen, 1886.

[3] The second edition appeared in 1871, the first probably a year or two earlier; the fourth, in two volumes, appeared in 1878. One part of

istrative law, and is noteworthy on that account. Stein also gives a comparative view of the literature and legislation of England, France, Germany, Austria, and Italy.[1]

Probably the American student will find the lucid work of Paul Leroy-Beaulieu, "Traité de la Science des Finances,"[2] easier reading, and possibly more interesting. The style is better than that of the German works, as might be expected; and Leroy-Beaulieu's ideas, if less profound, are more easily grasped. Leroy-Beaulieu is less original than Wagner, and a less careful historian than Roscher, but the book is systematically and well arranged, and abounds in useful positive information about the financial systems of all modern nations. It is an indispensable work for the careful student of finance.

SPECIAL TREATISES.

America has at last a work on one of the aspects of modern finance which can compare favorably with the treatises mentioned above. I refer to the thoughtful and well-written work by Professor Henry C. Adams of the University of Michigan, entitled "Public Debts."[3] Part III. deals with state and local public debts, and it is needless to say that a treatment of debts is an essential part of any com-

Rau's great work on political economy treated of finance and appeared many years earlier; but although Rau occupies an honorable position in the history of political economy, he has been superseded by more modern authors.

[1] Stein is severely criticized on account of inaccuracies, and also on account of a strange and confusing use of technical terms, by Neumann in his monograph "Die Steuer nach der Leistungs fähigkeit." Jena, 1880–1881.

[2] In two volumes, 3d edition, Paris, 1883.

[3] New York, 1887.

plete work on finance. The book is historical, descriptive, critical, and suggestive, and is in every respect admirable.

Cooley's treatise on "Taxation" gives a clear statement of American law, federal, state, and local, and is the standard legal work on the subject.

Mr. T. K. Worthington's "Historical Sketch of the Finances of Pennsylvania" is the first careful treatment of the finances of an American commonwealth, and is of value as dealing with the financial history of that commonwealth, which has perhaps embodied more peculiar features in its system than any other state. Mr. Worthington discusses at considerable length the public works of Pennsylvania, and the fiasco which she made with them.[1]

"Statistique Internationale des Villes," edited by Joseph Korosi, Director of the Bureau of Statistics of Buda-Pesth,[2] presents in the "deuxième section" an analytical and statistical account of the finances of Buda-Pesth, Vienna, Trieste, Leipsic, Stuttgart, Munich, Frankfort-on-the-Main, Rome, Turin, Venice, Palermo, Liége, Stockholm, Christiania, Copenhagen, Antwerp, Bucharest, Breslau, Genoa, Florence, Boston, St. Louis, San Francisco, London, Berlin, and Paris.

"Traité des Impôts," by E. de Parieu, is a work in four volumes[3] on taxes, considered historically and critically. French literature and foreign literature are both discussed, and the laws and customs of France and other leading nations are presented. National and local taxation are treated at length; and although the work was written so long since that many of the more recent facts and theories fail

[1] Published by the American Economic Association, Baltimore, May, 1887.

[2] Paris, Guillaumin & Co., 1876–77.

[3] Second edition, Paris, 1886.

to receive attention, Walker speaks of it in his "Political Economy" as "the ablest French work on the subject."

"Local Government and Taxation in the United Kingdom" is the title of a series of essays published under the sanction of the Cobden Club, and edited by J. W. Probyn.[1] "Reports and Speeches on Local Taxation," by the able English financier and politician, George J. Goschen, is perhaps still more important.[2]

"The National Budget, National Debt, Taxes and Rates,"[2] by A. J. Wilson, is a volume in the "English Citizen" Series, giving a condensed but not well-arranged account of English taxation, in which many points are not sufficiently elucidated for the foreign reader, and I think not sufficiently for the English reader.

"Local Administration," by Messrs. Rathbone, Pell, and Montague, in the "Imperial Parliament" Series, is a very brief description of local government and taxation as it exists in England, and as, in the opinion of the writers, it should be.

"A History of Taxation and Taxes in England from the Earliest Times to the Present Day,"[3] by Stephen Dowell, Assistant Solicitor of Inland Revenue, is a work in four volumes, in which will be found the most detailed and complete account of English taxation extant, and it is of special value to the American as well as to the English student. The plan is a good one. The first two volumes treat of the history of taxation in general, and the third and fourth volumes present the history of the particular taxes. Volume I. gives the history of taxation from the earliest times to the Stuart period and Civil War, inclusive, and Volume II. begins with the time of the Commonwealth, when the modern sys-

[1] London, 1882. [2] London, 1872. [3] London, 1884.

tem of taxation is said by the author to have begun. The third volume presents the history of direct taxes and stamp duties; and the fourth, of the indirect taxes on articles of consumption.

This is not intended to be a complete bibliography, but simply a list of a few of the most noteworthy books for the student of taxation, — those, let us say, which ought to be found in any good working school or college library. The one who desires to become a specialist will find in the works mentioned a sufficient number of references to other works.

OTHER SOURCES OF INFORMATION.

The other sources of information are official documents of states and cities. The principal one in the different states and cities bears different names. Sometimes the Auditor's Report is the chief financial document of a state or city, but frequently it is the Comptroller's Report. The Treasurer's Report, and Governors' and Mayors' Messages are often valuable. The "Instructions" which proceed from central offices, like that of the Comptroller-General, are valuable. The tax laws are the foundation of the various systems of taxation in American states and cities, and these are sometimes published in pamphlet form; but it is frequently necessary to consult the "Revised Statutes" of the states, and these ought to be in every college and seminary library. Schools and colleges will usually be able to obtain public documents of the states in which they are situated, on application to the proper authority at the capital, or through the representatives of their districts in the state legislature. Those of other states can sometimes be procured by application to the Secretary of State, State Treasurer, or Auditor of State, but these are less important for any but the most advanced students.

PART II.

TAXATION AS IT IS.

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TAXATION AS IT IS.

CHAPTER I.

COLONIAL TAXATION.

INTRODUCTORY REMARK.

LAWS and institutions are a growth; and consequently they cannot be understood without an historical examination of their past. Past, present, and future are a continuity; and he only knows the present who comprehends those events in the past which led up to the present, while he who would work for the future must have some clear conception of forces which even now are giving it shape. It seems desirable, therefore, to precede a description of our actually existing systems of taxation with some account of their origin and subsequent growth; and, as many of the early American laws and customs are still in force, or are still felt in existing institutions, it does not appear inappropriate to place a brief historical sketch of taxation in America in Part II. of the present work, although it bears the title, "Taxation as It Is." It must be remembered that our past is, after all, quite recent; that we hardly have a past at all, in matters like taxation,

in the sense in which the great nations of Europe have a past.

Attention will be called first to colonial taxation; then to taxation as it existed in 1796, when Mr. Wolcott, Secretary of the Treasury, made a report on taxation in American states; thirdly, to a transition period between 1796 and the present; and finally, to a description of the main features of our present laws, and their workings in actual practice.

THE COLONIES INSIST UPON THE RIGHT TO VOTE THE TAXES.[1]

In examining the records of the American colonies one finds that while there was murmuring at times on account of heavy burdens, and while complaints of unfair apportionment of taxes among towns or occupations were not infrequent, more concern was shown regarding that principle, the defence of which ended in the struggle for independence. The spirit which later resisted a petty tax because laid without the consent of the colonists is plainly visible in the enactments of the early assemblies. The provision that no tax should be levied or collected except with the consent of the people to be taxed, or of their representatives, was common to all; and while it was violated and wholly disregarded at times by royal governors, it was generally conceded to as a matter of prudence and policy.[2]

[1] In compiling this chapter, the following books, with others, have been consulted: "Records of Massachusetts Bay Colony," Arnold's "History of Rhode Island," "Records of New York," "Laws of Pennsylvania," "Laws of Virginia" (Henning), Scharf's "History of Maryland," Egleston's "Land System of the New England Colonies."

[2] "The early history of North Carolina is mainly one of resistance by the people to the governor's illegal taxation." — *Alexander Johnston's "History of the United States,"* page 50.

In the earlier days of the colonies there was no great need for taxes. The mother country asked no assistance from them; quit-rents satisfied the demands of the proprietary or the company, who in turn promised at least partial protection; fierce wars had not yet transferred the burden of defence to the shoulders of the people; the public wants of the colonists themselves were simple and easily supplied; there were few officials, and these were either wholly without compensation, or received but a few slight fees; and the chief and almost sole objects of their contributions were churches, schools, and highways.

RHODE ISLAND.

Mr. Gardner has shown that forfeitures, fines, fees, and payments for land defrayed nearly all of the expenses of Rhode Island during the colonial period. The abundant land of American colonies, then later of American states and federal government, has done more to obviate the necessity of taxation, or to render taxation lower than it would otherwise be, than is generally understood. Land has been used in this country as an endowment for office as well as in Germany and England. Robert Lenthall, school teacher and minister, received 104 acres of land from Newport in 1640, and 100 acres was appropriated for a school "for the encouragement of the poorer sort."[1] This is chiefly interesting as an early example of frequent practice in our subsequent history. New states have reserved portions of public lands — every sixteenth section — for school purposes. The federal government in 1862 gave land to each state equal in amount to 30,000 acres for each representative and senator in Con-

[1] Quoted by Mr. Gardner from Arnold's "History of Rhode Island," Volume I., page 145.

gress; and it has given 200,000,000 acres for the encouragement of railroad building. Some towns in Switzerland and Baden, it is interesting to note in this connection, have retained public lands, and a few derive therefrom a revenue sufficient to defray all local expenses and to enable them to divide a small sum of money among the citizens each year.

As is still often the case in Germany, and occasionally in the United States, the acceptance of certain offices was compulsory, and this was a means whereby governments could be carried on without taxation. It is not, then, so surprising as it would be now to read a report of the general treasurer of Rhode Island in 1649, that he had received nothing and had nothing in his hands; nor could this extract from a letter of Gregory Dexter, town clerk of Providence, to Sir Henry Vane, be regarded as so astonishing as it would be to-day: "Sir, we have not known what an excise means. We have almost forgotten what tythes are; yea, or taxes, either to church or commonwealth."

From 1647 to 1689 all the taxes levied in Rhode Island amounted to £3600, or about £600 sterling. It is curious to notice that in 1699 one of the complaints made against the colony by Bellmont was this: "They raise and levy taxes and assessments upon the people, there being no express authority in the charter for so doing." There is, in fact, reason to believe that one of the things against which our forefathers in England and the American colonies contended was not against oppressive taxation, but against the payment of any taxes at all. It required a long struggle to bring about a complete and ready acknowledgment of the right of taxation.

VOLUNTARY CONTRIBUTIONS EARLY REPLACED BY TAXES.

As has already been noticed, the contributions of the colonists were at first more or less voluntary in their nature. The church and the commonwealth were closely allied, and as all who received the benefit of the former felt it their duty to contribute to its support in proportion to their means, so they were also expected to give in like manner to the maintenance of the latter. The case of Rhode Island has been cited, and the records of Massachusetts Bay Colony also furnish very clear proof of this fact. The General Court, observing that many who were not freemen nor members of the church, took advantage thereof to "withdraw their helpe in such contributions as are in use," in 1638 declared that every inhabitant in any town was liable to contribute to all charges, both in the church and commonwealth, and that every such inhabitant who should not voluntarily contribute should be compelled to do so. This example illustrates the change that must have occurred in all the colonies at a very early period. Individual selfishness and consequent dishonesty on the part of some made compulsory contribution necessary, and thus direct taxes became a substitute for voluntary contributions.

TAXES ON PROPERTY AND POLLS.

Direct taxes were laid either in proportion to property held, real and personal, or according to income, or as a uniform charge upon the poll, or head.

Taxes on property were to be found in all the colonies at one time or another, and were employed by the New England colonies either with or without other taxes, continuously. The collective mass of property was frequently the basis for the estimate of each one's share, though certain

objects were often exempt, and sometimes specific objects were named as alone subject to taxation. The people of New Netherlands, complaining of their burdens, were pointed by the secretary of the Council to New England, where everything was taxed, and were reminded that they themselves suffered only from an excise tax on beer and wine and from duties on a few imports and exports.[1] A few years later, 1653, however, these same people were complaining of the following taxes: chimney and head money; a tithe of all grain, flax, hemp, and tobacco; a tithe of all butter and cheese; and excessive export duties. But inequalities arose from the taxation of visible property alone, and to equalize the burdens, the estimated incomes of certain classes, as merchants, agents, etc., were taxed. These two taxes were not infrequently employed together, the one supplementing the other. While the former were laid according to a uniform rule of valuation, it was left to the assessor to estimate incomes.

The early history of Springfield, Mass., illustrates in an interesting manner many of the features of colonial finance. Taxes were laid in proportion to the number of acres which each one held, until 1655, and those without land or cattle escaped altogether. After 1655, land, houses, and stock were valued, and every person not dependent was assessed five shillings for the support of the minister. It was ordered in 1661 that "men shall be assessed for their merchandizing and trading sutable to trade they drive in

[1] The secretary very skilfully explains the workings of these indirect taxes. He shows that it is not the vintners who pay the excise tax on beer and wine, but those who daily resort to their houses, and the traveller from New England, Virginia, and elsewhere. The high prices of imported goods he ascribes to the greed of traders, and not to the duties.

the towne, each also is to be judged by the selectmen." It was further ordered in 1661 that all men of sixteen and over, save sick, and infirm, should be valued at £12, £16, or £20, at the discretion of the selectmen. Wealth appears to have increased, and in 1672 there were one hundred and seventy voters who were valued at over £20.

The selectmen were not "accounted discharged of their trust" until they had paid all the debts of the town, but they could levy a special tax therefor, if necessary. The acceptance of the office of selectman was compulsory, and in 1670 it was provided that the selectmen should be furnished a dinner at public expense when they met for town business. This was the first time that they were remunerated for their services.

Among the fines which yielded revenue may be noticed those for the violation of the sumptuary laws. In 1667, Mary Stebbins was fined ten shillings for wearing silks contrary to law, and sixty-eight persons were accused of indulgence in forbidden luxuries. A heavy fine of a different nature was imposed on Nathaniel Ely, inn-keeper, in 1674, because his beer was not made according to law.[1]

The poll tax was, like the property tax, employed by all the colonies at one period or another. It was the only direct tax levied in Virginia for years. Although it was in 1645 termed inconvenient and insupportable for the poorer classes, and all taxes placed on visible estates, it was revived in 1649, and was continued until 1663, when a land tax was decided to be most equitable. Very few

[1] The valuable essay by Dr. E. W. Bemis, entitled "Old Time Answers to Present Problems, as Illustrated by the Early Legislation of Springfield," is authority for statements in this paragraph. The essay was based on a study of original archives, and was published in *The New Englander* for February, 1887.

were exempt. Maryland had, before the Revolution, practically no other direct tax. All free men, free women, and children over twelve years of age were included in the levy. This tax became, to the people of this colony, most unpopular, and that for principal reasons. It was felt they were not fair because not in proportion to ability as measured by property, and it was difficult to make the payments, because, while hemp, flax, or other produce, or paper money might serve as legal tender for other debts, the poll tax must be paid in tobacco, a given number of pounds per poll, the value of which was increased at times, by a designed diminution of the supply. The tax became extremely burdensome, and was in 1777 declared "grievous and oppressive." In other colonies this tax seems to have always accompanied other taxes.

QUIT-RENTS.

Quit-rents were annual charges on lands in the colonies under proprietary government, and were to be found, to a slight extent, in others. These, in some cases, were sufficient to cover both dues to the proprietors and all public expenses. Lands in colonies non-proprietary were apportioned among the members of the colonizing companies, according to the amount of stock held, or among non-stockholders for certain services rendered. In later settlements, the amount of one's ratable property was made the basis of apportionment. Lands were seldom sold.[1]

FEES.

Fees were a common source of revenue, and were generally applied to the support of public officials. The minister

[1] "The Land System of the New England Colonies," Melville Egleston, page 39.

received fees for marrying, for christening, churching, and burying; the clerk for issuing court-papers and making records; the sheriff for making arrests and inflicting punishment; and so with other officers.

Licenses and fines also yielded considerable revenue. Liquor and marriage licenses, and those imposed on pedlers and lawyers were most common.[1]

OTHER TAXES.

Many singular objects of taxation appear in the lists of some of the colonies. In Virginia, there was a window tax; in Maryland, a tax on bachelors above twenty-five years of age;[2] in New York, a tax on wigs; not to mention others equally odd.

LOTTERIES.

Lotteries were not an uncommon device for raising money, especially in the later days of the colonies when burdens became heavier. Mention of them is made in the Rhode Island records as being employed for such public purposes as building and repairing forts, court-houses, market-houses, and even churches. A lottery was established in Maryland in 1768 for the purpose of raising money to support an agent to be sent to England to present to the king the grievances of the people. Pennsylvania raised money by this means for certain public improvements; Virginia, for defence in the French and Indian War, and also for building schools, academies,

[1] A part of the tax on pedlers in Virginia, together with the revenue from import duties on liquors, was paid to the visiting committee of William and Mary's College for the support of professors.

[2] "Levied according to their property, one hundred per cent. to be added in case of papists." — *Scharf.*

churches, etc.; Connecticut, for erecting buildings for Yale College; and other colonies were doubtless no less backward in their use.[1] "It was with the money collected from the sale of lottery tickets," says McMaster, "that Massachusetts encouraged cotton spinning, and paid the salaries of many of her officers; that the city hall was enlarged at New York; that the court-house was built at Elizabeth; that the library was increased at Harvard; and that many of the most pretentious buildings were put up at the federal city."[2] The Continental Congress in 1777 established lotteries to raise funds for carrying on the war, and sent agents into all the states to sell tickets.

DUTIES.

Excise duties were laid in most, if not all, of the colonies on the manufacture of liquor. Duties on exports and imports were also laid, but without regularity, or regard for the interests of the colonies as a whole. One colony, for instance, taxed rum coming from a neighboring colony, but admitted the foreign article free of duty. Export duties were laid on but few articles. The object seems to have been merely revenue,[3] bounties being sometimes granted for the encouragement of industries. Some of the colonies enjoyed

[1] Money was raised for Columbia College, in the middle of the last century, by an authorized lottery. Vincennes University, Indiana, received profits from a lottery in this century. McMaster gives a list of no less than twenty lotteries in operation in the various states during the years 1788-91.

[2] McMaster, "History of the American People," Volume I., page 588.

[3] Pennsylvania, at the close of the Revolution, for the purpose of protection and encouragement of home industries, laid an import duty on no less than a hundred articles, including products, manufactures, and raw material.

considerable revenues from these duties. Duties on tonnage of vessels, usually payable in powder and shot, were collected at the ports and applied to the maintenance of fortifications. Other revenues were applied to payment of the general expenses of the colony.

Taxes were as a rule collected "in kind," the Assembly or the General Court naming the price at which the various commodities should be received.

The systems of taxation in colonial days were still continued without change by some of the colonies when they became states, and will be noticed in greater detail in the following chapter, which treats of taxation in the various states at the close of the century.

CHAPTER II.[1]

TAXATION IN 1796.

THE provisions of the laws of the various states in 1796, touching taxation, present a great diversity, both as to the objects and principles of taxation and as to the methods of apportionment and collection of taxes. So different were the systems in operation in the various states that the Secretary of the Treasury, Mr. Oliver Wolcott, who had been directed by Congress to prepare a plan for laying and collecting federal taxes, declared in his report that they were "utterly discordant and irreconcilable in their original principles," and could not be adopted as a means for the just apportionment and prompt collection of a general tax. In seven states, for example, there was a uniform capitation tax, which was unknown in the others. In some, all property, with a few exceptions, was taxed; in others, specific objects were named. Land was taxed in one state according to quantity, in another according to quality, and in a third not at all. Responsibility for the assessment and collection of taxes in some cases attached to the state itself; in others, to the counties or townships.

Such diversity where uniformity would be prescribed by the fundamental principles of taxation may be regarded as

[1] The authority for the greater part of the matter contained in this chapter is the report made by Mr. Oliver Wolcott, Secretary of the United States Treasury, concerning taxation in the various states of the Union. See "American State Papers," Finance, Volume I.

evidence of the faultiness of most, if not all, of these systems, and yet little dissatisfaction seems to have been manifested in any of the states. Explanation of the apparent efficiency of all these methods is doubtless to be found in the fact that the taxes were not sufficiently heavy to really test them and discover their weak points. How burdensome the county and township taxes were at this time has not been ascertained, but those imposed by the states were comparatively light. The average annual expenditure of each of the fifteen states enumerated for the support of civil government was less than $70,000; the total, about $1,000,000.[1] To meet this expenditure many had revenues from other sources than direct taxes, and a few had a sufficient amount to free them from the necessity of levying any considerable direct taxes, while New York, Pennsylvania, and Maryland for years levied no direct tax whatever for state purposes. It is not, then, at all strange that machinery which would now be regarded as somewhat slow, clumsy, and inefficient, should at that time have performed satisfactorily the small amount of work demanded of it.

It shall be the object of this chapter to present briefly the distinguishing features of these various systems.[2]

THE OBJECTS AND PRINCIPLES OF TAXATION IN 1796.

The objects and principles of taxation will first be noticed. In the following table are presented some of the objects of

[1] The present total expenditures of these same states is $65,000,000.

[2] A system of taxation was inaugurated in Tennessee in 1796, of which Wolcott gives no account. The following provisions are found in the constitution of 1796: "All lands are liable to be taxed, and they shall be taxed uniformly, so that no 100 acres shall be taxed higher than another, except town lots. No freeman shall be taxed higher than 100 acres of land, and no slave higher than 200 acres. No article of manufacture shall be taxed except to pay expenses of inspection."

taxation common to the lists of two or more states. The mark in the space opposite the name indicates that the object named at the head of the column is taxed in that state.

STATES	Uniform Poll Tax.	Land.	Collective Mass of Property (a)	Horses and Cattle.	All Farm Stock.	Stock in Trade of Merchants.	Money on Hand or at Interest.	Horses, etc.	Slaves.	Carriages.	Pleasures of Law and Official Papers.	Billiard Tables.
Vermont	×	×		×			×					
New Hampshire	×	×		×		×	×	×				
Massachusetts	×	×		×		×	×	×				
Rhode Island	×	×	×		×							
Connecticut	×	×		×	×(c)		×(d)	×		×		
New York		×	×		×							
New Jersey		×		×				×	×	×		
Pennsylvania		×		×				×	×	×		
Delaware			×(a)		×(a)							
Maryland		×	×		×				×		×	
Virginia		×		×(b)				×	×	×	×	×
Kentucky		×		×					×	×	×	×
North Carolina	×	×		×(b)					×		×	×
South Carolina		×				×			×			
Georgia	×	×				×		×	×			×

(a) Annual income from
(b) Horses only
(c) That is, all property, with certain exemptions.
(d) Except loans to the state or United States.
(e) With few exemptions.

From a glance at the above table it is plainly evident that the New England states followed one and the same copy, though with different degrees of accuracy. The Southern states too, it will be noticed, had several features in common

and peculiar to themselves; and the Middle states, while showing no striking resemblance to one another, were still less like either of the other groups. But while a general likeness obtained between the members of these three groups of states, there was naturally a considerable diversity in minor points. The people of one state were further removed from those of a neighboring state than they are to-day, and though both may have started as colonies with the same system of taxation, it is not strange that they should have grown apart.

TAXES ON LAND.

Before looking at other peculiarities, it will be interesting to note the varieties of the land tax, which tax it will be seen by reference to the table was common to all the states with one exception. In Vermont all lands which had been improved two years and were within enclosure, and in North Carolina all lands, excepting town lots, which were assessed according to valuation, were taxed uniformly according to quantity. In Rhode Island and New York lands, together with all other property, real and personal, were taxed according to estimated valuation. They were assessed in Massachusetts and New Hampshire according to their products or supposed annual rents. A peculiarity of this tax in the latter state was the arbitrary and variable size of the acre. It was not a certain number of square rods, but was a sufficient quantity of orchard land to produce ten barrels of cider, or of arable land to produce twenty-five bushels of Indian corn, or of mowing land to produce a ton of hay. A quantity of land sufficient to support a cow one year was regarded as four acres. In Connecticut no regard was had for the value of lands in their assessment, but all were assessed uniformly, according to the mode of cultivation or

condition, each kind being put in the list at a fixed rate; as for example, meadow lands at $2.50 per acre. Taxes were levied on land in Pennsylvania[1] according to a triennial valuation, in Virginia according to a permanent valuation. The average or relative value of lands in different counties or districts was fixed by law in Maryland and New Jersey, and this average value multiplied by the number of acres therein became the basis of taxation. Within the counties or districts, lands contributed to the total sums assessed to them in proportion to their value. Lands in Kentucky, except town lots, were divided into three classes,[2] according to quality, and in South Carolina and Georgia were taxed uniformly by districts or classes, whether cultivated or not.[3] Delaware had no direct tax on land, but a tax was levied on the income from land in the general income tax.[4]

OTHER PECULIARITIES IN THE VARIOUS TAX SYSTEMS.

In Vermont all taxes were imposed in proportion to a general list of ratable objects with fixed valuations. A tax on lawyers, traders, and owners of mills, proportioned to their profits, might be added at the discretion of the assessors; the planting of orchards was encouraged by an exemption from taxation for ten years.

[1] Lands granted to any officer or soldier of the line were free from tax during occupancy.

[2] The first was taxed at half a dollar per hundred acres; the second, at one-fourth of a dollar; and the third, at one-eighth of a dollar per hundred acres.

[3] For example, in South Carolina all tide-swamps not generally affected by the salts or freshes, of the first quality, were rated at six pounds per acre; in Georgia at $10.39 per acre.

[4] Provision was made in this same year for a change in the system of taxation, and land was thereafter to be taxed according to valuation.

New Hampshire's list was somewhat longer, and was required to be revised at least once in five years. All stock and property of men employed in trades, as well as the stock of merchants and traders, were taxed. Mills, wharves, and ferries were rated at a twelfth of their net income.

On the long and detailed list of Massachusetts, in addition to objects named above, were shops, mills, industrial works, buildings of all kinds of five pounds and upwards, the tonnage of vessels, government securities, stock in bank, and plate.

All property, real and personal, was subject to taxation in Rhode Island, New York, and Maryland, though under different regulations and with different exemptions. In Rhode Island household furniture, farming utensils, and one-fourth of property taken at sea were exempted.[1] In New York, as has already been noted, no taxes for state purposes had been levied for some years, since 1788, and no objects or principles of taxation were prescribed; but all assessments, whether state, county, or township, were determined by the "discretionary estimates of the collective and relative wealth of corporations and individuals." Maryland exempted such property as belonged to the state or the United States, houses for public worship, burying-grounds, such property as belonged to county, college, or county school; the produce of land in the hands of the producer, provisions for the year, plantation utensils, working tools of mechanics and manufacturers, wearing apparel, imported goods, home-made manufactures in the hands of the manufacturer, stills, and ready money. In this state certain specific taxes were also collected, viz.: of every attorney for admission to the bar, and

[1] Providence, by a vote of its inhabitants, had abolished the poll tax in respect to that town, estates only being taxable.

an annual sum thereafter during practice; on licenses to sell liquor, to keep tavern, and to get married.

The profits of any and all lucrative professions, trades, and occupations, except compensation to public office and the profits of husbandry and common labor for hire, might be taxed in Connecticut. Such a tax on trades and professions might, at the discretion of the assessor, be assessed in Pennsylvania, exemptions being granted in favor of ministers, mechanics, manufacturers, and schoolmasters; and also in South Carolina, those exempted being the same as in Pennsylvania, excepting manufacturers.

Pennsylvania and New Jersey were alike in having certain personal taxes: the former levied a tax on all freemen over twenty-one years of age; the latter, on shop-keepers, single men who kept horses, and single men who did not keep horses. Taxes on furnaces, mills, ferries, and industrial works of various kinds were also common to the two.

Delaware alone had a general income tax, and this was levied on income from all sources, uncultivated land, persons under twenty-one years of age and apprentices excepted. This system seems to have occasioned inconvenience and inequality, and a new plan was adopted in 1796; but merchants, traders, mechanics, and manufacturers were still to be assessed according to their gains.

A special tax was placed on ordinaries and houses for retailing liquors in North Carolina; in South Carolina, on sales at auction, and a double tax on the property of persons who resided out of the state, except of persons in the employ of the state or of the United States and of young men sent abroad for education, until the age of twenty-three.

Georgia placed a tax on foreign wares, liquors, and merchandise, sold, bargained, or trafficked for; on the funded debt of the United States; on all negroes brought into the

state by sea for settlement or sale, except such as are brought in from any part of the United States; on all professors of law and physic; and on all factors and brokers.

Exemptions from poll tax were generally granted in favor of ministers of the Christian religion, presidents, professors, and students of colleges, and of the infirm and indigent.

Maryland, in 1776, declared that the levying of taxes by the poll was "grievous and oppressive," and ought to be abolished; and that paupers ought not to be assessed for the support of government, but that every other person ought to contribute according to his actual worth in real and personal property. The property of seminaries of learning, houses of public worship, and all lands employed for schools and other public pious and charitable purposes, were also generally exempted from taxation in the various states.

The general characteristics of taxation in the states in 1796, it will be noticed, were, first, that specific objects were usually selected for taxation, rather than all property; second, that visible property bore all, or nearly all, the burden; and third, that taxes were usually laid according to some fixed and arbitrary rule of valuation, rather than according to the selling value of the objects taxed.

APPORTIONMENT AND COLLECTION OF TAXES.

The various methods and means of apportionment and collection of taxes are next to be noticed. South of Delaware, all state taxes were laid directly on persons or the property of individuals by the state, while in states north of Delaware they were assessed to corporations or districts, as counties or townships.[1] In the former, the assessing and

[1] Taxes in the Northern states are still apportioned among the local political units. Taxes in the Southern states are still percentage taxes.

collecting officers were appointed by the state executive, by the state legislature, by the courts, or by officials receiving their commissions from the state; in the latter, they were chosen by the people, who were held responsible for their conduct. In the state of Delaware the mean between the two was observed; the taxes were apportioned to the people of the counties, but the counties were not held responsible for their collection. The following table indicates the various methods of appointment. Marks made in the upper spaces opposite the names of the states refer to assessors; in the lower, to collectors.

ASSESSMENT OF TAXES.

In the New England states, New York, and New Jersey, listers or assessors were chosen in the annual town meetings. The selectmen were the assessors in New Hampshire, and in Massachusetts acted as such when assessors were not elected. To these officers the inhabitants of the various towns were required to return annually, under oath, always under penalty of increased assessment or fine for omission or concealment, a list of the ratable property in their possession. The duties of the assessors in Vermont, Connecticut, and New York ended when the aggregate lists had been returned to the proper state or county authorities. In Vermont the selectmen, and in New York the supervisors, then made the apportionment, while in Connecticut the collectors were directed to collect certain sums, a poundage rate on the lists returned by the assessors. But in the other states belonging to this group, the assessors were further required to

They are laid by the state, and whatever they yield, more or less, accrues to the state treasury. County and local officials are in the South usually intrusted with the collection of taxes.

	By the people.	By state executive.	By state legislature.	By state treasurer.	By county court.	By county commissioners.
Vermont	×					
New Hampshire	×					
Massachusetts	×					
Rhode Island	×					
Connecticut	×					
New York	×					
New Jersey	×					
Pennsylvania	×					×
Delaware	×			×		
Maryland						×
Virginia		×			×	
Kentucky	×				×	
North Carolina					×	
South Carolina			×			
Georgia			×			
			×			

apportion the quotas of state and county tax, together with the township tax, among the inhabitants of their respective towns according to prescribed rules of assessment. Rhode Island was peculiar in having a state committee of assessors, somewhat like the modern board of equalization, which went about from town to town, summoning the local assessors of each to appear before it with their lists, and was empowered to fix, on the best information to be obtained, the quota for each. Provision was generally made in these states for hearing the grievances of individuals who felt unjustly assessed, and power was given the body constituted for that purpose to reduce or entirely abate taxes, in cases where such a course seemed equitable.

A general assessment was made in Pennsylvania triennially, and served as a basis for valuation. The officers of assessment were county commissioners, chosen by the people, and holding office for three years. The lists of the assessors were subject to the alteration and revision of the commissioners, though the relative value in the townships might not be changed. The commissioners also sat as a court of appeal in tax cases.

The counties of Delaware were divided into hundreds, and in each hundred an assessor was annually chosen. Lists of all taxable persons were furnished the assessors by the constables of the hundreds, and opposite the name of each inhabitant the assessors, in a general meeting of the county, placed his supposed income. These lists thus completed were published in the various hundreds, and notice also given of the holding of the levy court and court of appeals for the county, before which complaints of excessive and unjust assessment might be made.

The legislature of Maryland appointed for each county and Baltimore town, five commissioners of the tax. These

commissioners divided their respective counties into convenient districts and appointed in each an assessor who must be worth £200. The assessors were to inform themselves by all lawful means of the property in their districts, and to make returns to the commissioners, who sat as a court of appeal.

The annual assessment was made in Virginia by commissioners of revenue, appointed by county and corporation courts, sheriffs and collectors who had not settled their accounts being ineligible. They received from the commissioners of the previous year the books, with the permanent valuation of lands, in which were noted all alterations, alienations, divisions, and additions. Lists of ratable personal property were to be returned at a certain time to these commissioners, who made an abstract of all property, real and personal, and returned the same to the collector or sheriff. The permanent valuation was made in 1781 by three commissioners from each county, appointed by the justices. But as these commissioners were independent of one another, there were many inequalities in the valuations of the several counties. For this reason the counties were arranged in four districts, reference being had to soil and situation. To effect this equalization, two commissioners were appointed in 1782, and the valuation thus equalized became the basis for future assessments.

The county courts divided the counties of Kentucky into districts, and appointed a commissioner for each. By the commissioners the class to which land belonged was determined, lists of ratable objects collected, and returns made to their respective county courts, which had power to correct mistakes and relieve grievances.

In North Carolina the justices of the peace were appointed by the county courts to receive returns of taxables in each

district. They were usually aided by the captains of militia, who advertised musters, to which the people came with written lists of their property. These returns were exhibited by the justices to the county court, together with the names of those who had failed to comply. The valuation of town property was made by three freeholders, appointed annually in each town by the county court.

The assessors and collectors were the same persons in South Carolina, and were appointed by the legislature. They determined the class to which lands belonged, received lists of ratable personal property, and made assessment on business and income. The lists, when completed, were exposed in the parish in a public place for ten days, during which period the taxes must be paid.

A receiver of tax returns was appointed in Georgia for every county by the legislature. The receivers were required to give notice to each captain's district of the times and places at which they would receive tax returns. They were to be furnished by the commanding officer of each company with lists of persons liable to taxes, and were to attend at least three days in each district.

COLLECTION OF TAXES.

The collectors, like the assessors, in New England, New York, and New Jersey, were elected annually in the town meeting by the people.[1] In Pennsylvania they were appointed by commissioners elected by the people; in Maryland, by commissioners appointed by the legislature; in Delaware, by the state treasurer; in Virginia, by the governor; in Kentucky, by the people; in North Carolina, by the county courts; and in South Carolina and

[1] In New Hampshire they were either thus elected, or appointed by the selectmen.

Georgia, by the legislature. The office of collector was, in many cases, attached to some other office. In Vermont, for example, the first constables were *ex officio* collectors; in Maryland and Kentucky the sheriffs were generally collectors;[1] and in North Carolina and Virginia the sheriffs were such *ex officio*, being appointed, in the latter state, from a list of justices recommended by each county.

Though the collectors in Vermont and Massachusetts were chosen but for one year, their powers continued until a final settlement was made, and in case of death after the term for which elected their responsibilities and obligations descended to their administrators and executors. In Connecticut their powers continued but three years. Similar customs were probably in force in other states.

As has already been noticed, in states north of Delaware the towns were the collection districts, and hence were responsible for deficiencies on the part of their collectors. In some instances, the treasurer of the county or state was permitted, in event of delinquency or insolvency of the collector, to collect the amount of deficiency from the selectmen or from individuals of the town, if need be by distraining goods and chattels. The latter were of course permitted to indemnify themselves by laying a new tax upon the town. In other states, the counties, though frequently divided for convenience, were the collection districts, and the collectors were as a rule responsible to state authorities.

The collectors in the first group of states were generally permitted to distrain and sell goods and chattels — certain things, such as implements of trade, work-horses, etc., being excepted — of those delinquent in paying their taxes. If these, however, were insufficient, the delinquents might be imprisoned; or if they had escaped, their lands might be seized.

[1] The sheriffs are still the collectors in Kentucky.

In other states the collectors merely returned the names of delinquents, and summary measures were taken by other authorities. In Maryland unpaid taxes became, in absence of goods, a charge on the land; in New York and New Jersey, they were added to the next year's list. The land of non-residents became, in South Carolina, the property of the state if taxes remained unpaid after certain notice. Bonds and sureties were generally required of collectors.

COMPENSATION OF ASSESSORS AND COLLECTORS.

As to the compensation of assessors and collectors, the following have been noted: in Vermont the assessors received one-half of the taxes from double assessments, perhaps in addition to certain other remuneration; in Massachusetts, 4 shillings per day; in Rhode Island and New Jersey 1¾ per cent. of amount of taxes assessed; in New York, their fees were determined by the supervisors; in Pennsylvania, they received $1.00 per day; in Maryland, not over £25 per year; in Georgia, 2½ per cent. of tax assessed, plus 6¼ cents on every poll without property.

The collectors received in New Hampshire usually 4 or 5 per cent. of collections; in Massachusetts, from 3 to 5 per cent.; in Rhode Island, regularly 5 per cent.;[1] in Connecticut, 2½ per cent. and travelling fees; in New York, 5 per cent.; in New Jersey, previous to 1794, 1¾ per cent., after 1794, 4 cents per poll; in Pennsylvania, 5 per cent.; in Delaware, 7½ per cent.; in Maryland, 4 per cent., and such sums as seem uncollectible; in Kentucky, 5 per cent.; in North Carolina, 6 per cent., with certain additional fees; in South Carolina, 5 per cent.; and in Georgia, 5 per cent., with certain fees.

[1] Though, in consequence of competition for the office, encouraged by the state, the sum received had been reduced to 3¾ per cent., and in some cases to 2½ per cent

CHAPTER III.

THE TRANSITION PERIOD.

GENERAL REMARKS.

WE may, for lack of a better designation, call the period from 1796 to the beginning of our Civil War, a transition period. It witnessed the complete establishment of the American system of state and local taxation. The distinguishing feature of the system may be described in a single sentence. It is the taxation of all property, movable and immovable, visible and invisible, or real and personal, as we say in America, at one uniform rate. This is the only direct tax known in most of our commonwealths, and it is only recently that certain special forms of taxation have assumed greater importance in some of our state budgets than this.

The fundamental idea of our tax systems is a democratic one. It is, that all should contribute to the support of government in proportion to their capacity or "respective abilities," as Adam Smith expresses it. It is, however, assumed that one's ability to contribute to the support of government is measured by the actual selling value of all one's property, real and personal; then it is further assumed that it is possible in each case to discover the actual selling value of all the property of citizens and other residents.

The last chapter shows that in 1796 specific kinds of property were taxed, and in some cases the collective mass of

property. The general practice appears to have been, however, to tax only a few main species of property, and rough kinds of devices were used for valuation. Horses and cattle were valued at a definite sum each, and agricultural lands were often classified and valued at so much for each acre of each class. Persons were taxed by the poll uniformly, and were also estimated according to their earning capacity, and taxed accordingly. President Francis A. Walker in his "Political Economy"[1] reaches the conclusion that faculty, the power of production, constitutes the only theoretically just basis of contribution; that men are bound to serve the state in the degree in which they have the ability to serve themselves. Taxation according to faculty is, however, rejected as impracticable, but in earlier and simpler times it was practised in the American Colonies.

The reasons why these earliest methods were abandoned are sufficiently evident. They were adapted only to a primitive condition of society. When the classes of wealth became more numerous, and when the differences in value between articles of the same class became more important, when one acre of land was often worth ten or twenty times, or even fifty times, as much as another situated in the same commonwealth, there could not fail to arise a demand for a system of taxation which would adjust the burdens of the government more accurately and make them bear upon each individual more nearly in proportion to his ability. It seems that our present system of taxation arose with this in view, and in our older American commonwealths, very generally, during the first half of the present century; while the newer states simply copied the institutions of the older.

The details of the changes in the various states are difficult to discover, owing to the inaccessibility of many public docu-

[1] New unabridged edition, § 595.

ments, but it has been possible to gather together the main facts about several states, which, there is every reason to believe from what can be discovered, were merely typical. A few words will be devoted to Connecticut and Ohio, and some facts will then be presented regarding other states.

CONNECTICUT.

The old colonial system of taxation continued in Connecticut until the adoption of the constitution of 1819. It was the practice to follow the plan still in vogue everywhere in Europe, and also in the city of Quebec, Canada, of basing taxation, not on the selling value of property, but upon its probable net revenue. We tax property now in our American commonwealths on the selling value of property; but the European system and the old Connecticut system was to estimate income itself, directly. It was also the practice in Connecticut to estimate the annual income of those pursuing any trade or occupation, and to tax them accordingly. The plan is described in the following words in the "Report of the Special Tax Commission of Connecticut," made in January, 1887:[1]—

"Those pursuing any trade or profession were assessed on an estimate of their annual gains. Real estate was rated, not according to its value, but in proportion to the annual income, which, on the average, it was deemed likely to produce. Lands as distinguished from buildings were put in the list at a fixed rate for each kind, prescribed by statute. The best meadow-land went in at $2.50 an acre; plough-land, at $1.67; pasture, at $1.34; wood-lots, at 34 cents, etc.; not because those sums were deemed to be the value of the lands, but because they were thought to represent the

[1] Pages 9 and 10.

average income they would produce. Houses and other buildings were likewise listed at fixed sums, determined by their size, materials, number of fireplaces, etc., but all described by the statute itself, and beyond the control of the assessors. Under such a system there was little opportunity for evading taxation. The acreage of each farm, the general character of each lot, and the dimensions, use, etc., of each building, were readily ascertained, and the law then fixed the rate of assessment."

Property was taxed according to its selling value, and not according to its probable income, after 1819; but only certain classes of property were taxed, and there were different rates for real estate and personal property, the former being assessed at only half the rate at which the latter was assessed. Before 1850 real estate was listed at only three per cent. of its value, while personalty was listed at six per cent. of its value; but in 1850 all property was made ratable at three per cent. of its true value. It was provided in 1860 that all property should be assessed at its true value. The present financial system of Connecticut may be said to date from the years 1850 and 1851, when it was provided that all property not specially exempted should be taxed, and when personal taxation was restricted to its most injurious form, the capitation tax.

OHIO.

Land was divided into three classes, according to "quality," and there were three rates of taxation per hundred acres; one for land of the first quality, another for land of the second quality, and still another for land of the third quality. This method of taxation continued until 1825, inclusive. These rates in 1800 were $0.85, $0.60, and $0.25 per hundred acres, according to quality. The rates in 1825 were

$1.50, $1.12½, and $0.75, respectively. During this period the highest rates are found in the year 1816, when they were $3.75, $3.00, and $2.00, respectively.

Until 1826, in Ohio, it was found necessary to tax only real estate for state purposes. Funds for county purposes were derived from a poll tax, and a tax upon horses, mules, and cattle, to which was added by legislative appropriation, a percentage from one-fifth to one-half, varying with the several years, from the taxes levied upon real estate.

The tax laws passed in 1825 and 1831 show how much more diversified property was becoming. These acts enumerate for taxation, lands and town lots, including buildings, horses, cattle, pleasure carriages over $100 in value, merchants' and brokers' capital, money at interest, all grist and saw mills, all manufactures of iron, glass, paper, clocks, and nails, all distilleries, breweries, tanneries, all iron, brass, and copper foundries.

One feature of the early Ohio system is specially noteworthy. February 3, 1825, an act was passed entitled "An Act establishing an equitable mode of levying the taxes of this state."[1] The only animals subject to taxation were "all horses, mules, asses, and all neat cattle three years old and upward." Section 15 provided that land should be valued "*without taking into consideration the value of the actual improvements made thereon.*"[2]

Dwelling-houses over the value of $200 were valued at their true value in money, "but few of our country houses were at that time rated above that sum." All horses, mules, and asses were assessed at $40, and all neat cattle at $8 per head. These provisions were not changed in the revision

[1] 25 Ohio Laws, page 58.

[2] Land was taxed in Kentucky at the beginning of the century without regard to improvements.

of 1831, but continued in force until 1846, when the present system of taxation was introduced.

The essential point is the exemption of improvements. A man was not made to pay what seems to many like a penalty for adding to the wealth of the country. I have received a letter on the subject of early Ohio taxation from a gentleman, then a resident of the state, since a judge on, the Supreme Bench of another state, and now the head of a law school, from which I make these quotations:[1] "The result of rating farm lands unimproved was beneficent, and large bodies of land were held in Northern Ohio, where I lived, by non-residents; and they generally held on to their land until pioneers, by improving neighboring farms, rendered this land valuable. In respect to the naked value of the land, they received equal benefit from the labor of these pioneers, and should not complain if their land was taxed equally. The effect[2] was to induce them to sell to those who would use the land, improve it, and obtain a profit from it by way of production, and not simply by rise in value. It thus contributed to the more rapid settlement of the state. It also tended to discourage farmers from buying more land than they could use. Another feature of the general tax act had a good effect. I refer to the fact that all horses were listed at one price, and so of horned cattle. The farmers were thus encouraged to raise good stock only. Taxation upon actual value depresses industry, especially efforts to excel. Barns, fences, fine fields,[3] good ploughs, harness, etc., were not taxed at all; and if the

[1] I must also acknowledge my indebtedness to my good friend Professor George W. Knight, of the University of the State of Ohio, who has sent me copies of the old tax laws.

[2] That is, of the new tax law.

[3] Evidently meaning fields rendered fine by improvements.

farmer should raise a team worth from $300 to $600, as any one can do, he paid no more tax than for a crowbait pair of horses worth $50, which he should never be permitted to raise or keep. In raising neat cattle, also, the uniform assessment of $8 encouraged him to have the best."

OTHER STATES.

Maryland introduced the present system of taxation in 1841, when, after an interval of years, it was again necessary to have recourse to general taxation for state purposes. The present direct tax on the value of all property seems to have obtained for local purposes since the framing of the constitution of 1776. It may be remarked incidentally that regular taxation in Europe appears generally have been first introduced in cities, as might naturally be expected from their more advanced industrial situation and the earlier necessity for them to abandon old methods of personal service and payment in kind, and on account of their larger public needs. So in this country there appears to have been little serious thought of ever abolishing local taxation, even in those states which were able for a time to live without general taxation.

Virginia, including what is now West Virginia, adopted the main features of its present method of taxation in 1852, when a new constitution went into effect. Before that time the only tax on invisible property was a small one on dividends and interest.[1]

New Hampshire taxed visible objects, and included incomes in 1772; but no other changes, except in detail,

[1] See "West Virginia Tax Commission Minority Report," by Joseph Bell, 1884, page 21.

were introduced before the Civil War, when all property was made taxable.[1]

All real estate not especially exempted, all personal estate, shares of stock in incorporated companies and banks, incomes from professions, trades, and occupations (except farmers), and bank stock, were made subject to taxation, both for state and county purposes, in Pennsylvania in the year 1841.[2]

I have been unable to find the date of the change in Massachusetts, probably because it was not sufficiently marked to attract the attention of those who have reviewed taxation in that state. The list of ratable property, which was in 1796 so long as to include almost everything, might be made general without making many changes in the laws of taxation.

In the Louisiana constitution of 1845 it was provided that after 1848 property should be taxed according to value.

The constitutions of all the Southern states, adopted after the close of our late war, provided for the taxation of all property according to its selling value. It is, then, safe to say that, at the close of our late Civil War, our property tax was in force everywhere, and the transition period fully terminated. While I have not found all the facts which I could desire, I have found none which would not harmonize with this statement.

[1] See report of Hon. George T. Sawyer on "Taxation," made to the legislature of New Hampshire in 1876.

[2] See Worthington's "Sketch of the Finances of Pennsylvania," page 58.

REASONS FOR THE TAXATION OF ALL PROPERTY AT ONE UNIFORM RATE.

One reason why our present system of taxation was universally introduced may be found in the progress of democratic thought. It was desired that all should contribute in proportion to their abilities. It was observed that the forms of property had increased rapidly in number, and that the old specifications of property to be taxed failed to reach large masses of wealth; and this produced dissatisfaction and irritation. The sentiment to-day, all over the Union, in favor of the taxation of all property is very strong. The constitution of Ohio, adopted in 1851, best gives expression to prevailing sentiment when it expressly provides that even state and local bonds shall never be exempted from taxation. It is of no avail to talk about abolishing taxes on personal property, as some do, unless something is substituted for the personal property tax, so unalterable has become the determination to tax every one in proportion to his ability. This is one of the first facts to attract the attention of the student of American finance.

The new classes of property which modern inventions and discoveries and the industrial revolutions accompanying them have produced are one of the striking facts in our financial situation, and it can never be safely left out of view by the practical legislator. Early in this century, it should be remembered, there were comparatively few banks;[1] there was not a single railroad company, and of course none of that mass of easily concealed property based on railways, such as stocks and bonds; there was not a telegraph or telephone company, nor were there any traces of that property which con-

[1] When Hamilton wrote his report on the proposed United States Bank, in 1790, there were but three in the United States.

sists of their evidences of indebtedness; there was not one gas company; there was not one street-car line; and the manufacturing corporations of our day had scarcely begun to exist.

Some way must be contrived to make owners of these new kinds of property, who include most of our wealthiest citizens, pay their due share of taxes. It was possible to go on with old methods when the rates of taxation were low, as before the war, because public burdens were so light that it scarcely seemed worth while to trouble one's self about them. The town population was small, and most people paid only state and county taxes, and township taxes sufficient to meet the needs of rural districts. Rates of taxation of one, two, and three per cent. are not now unusual, as will be seen later; but in Virginia, in 1796, a tax of one-fourth of one per cent. on the assessed value of land, which was fixed once for all, and must have been below its true value, was sufficient. Some states had no state tax; and others taxed land at a small sum per acre or per hundred acres, as for example, Ohio and Connecticut, for which the rates have been mentioned, and Kentucky, where the best land was taxed only a half of a dollar for a hundred acres.

A committee was appointed by the General Assembly of Connecticut in 1844, to inquire into the subject of taxation; and it reported in favor of the abolition of the State Board of Equalization, because it was a clumsy contrivance, and the state tax was so inconsiderable that it made little difference whether property in different parts of the state was assessed at the same proportion of its actual value or not. Now the state tax is ten times as great as it was in 1844.[1]

The municipal tax rate in the city of Baltimore in the same year was 70½ cents on the $100, and the amount

[1] "Report of the Special Tax Committee of Connecticut," 1878.

"collected within the year upon the levy for that year" was $254,394.87; whereas in 1884 the rate was $1.60, and the amount collected within the year on the levy for the year was $2,774,073.84, over ten times as much.[1]

Part IV. will give additional data about expenses of states and local political units at present and in past times.

DISSATISFACTION EARLY MANIFESTED.

The existing method of assessing and taxing property was better adapted to the first half of the nineteenth century than to the second half, because taxation was less important, and also because property could more readily be found. This follows from the difference in the kinds of property which existed in earlier times and at present, and also from the fact that people were less migratory and cities smaller, for in cities property can more readily be concealed than in villages and in the country. Formerly people were required to tell what their neighbors were worth, and the proportion between the property of their neighbors and their own — which could not well be done at the present time. A curious illustration of older methods is furnished by Rhode Island. The first real tax law was passed in 1673, and in this it was provided that "if the Assembly judge any have undervalued their estates, each shall be required to give in to the treasurer a true form of an inventory of all their estate and strength in particular, and give in writing what proportion of estate and strength in particular he guesseth ten of his neighbours, nameing them in particular, hath in estate and strength to his estate and strength."[2]

No sooner, however, were existing methods introduced,

[1] See "Report of the Baltimore Tax Commission," 1886, Appendix.

[2] Mr. H. B. Gardner's monograph.

than wide-spread dissatisfaction became manifest on account of inequalities in the adjustment of the burdens of taxation, and attempts were made to remedy this.

This dissatisfaction has increased without interruption up to the present time, and every year renders our existing methods of assessing property, and of taxing it, more intolerable. The endeavors to improve upon actual methods have been frequent and are daily increasing in frequency; but they usually prove fruitless or render a bad matter worse, because those who make them have failed to go to the root of the evil, which is the system itself. The truth is, the existing system is so radically bad, that the more you improve it, the worse it becomes. This lies in the nature of things, and nothing any legislature can do can alter this condition of things. Experience and reason alike teach this, and in my opinion place it beyond controversy for all those who have eyes to see what is passing about them every day of their lives.

There was comparatively little personal property in existence one hundred years ago. Only in the present century has that species of property, at first gradually, then very rapidly, assumed the enormous proportions to which we are now accustomed. This growth has accompanied the development of cities, which are the home of invisible personal property. Where the population is chiefly rural, there can be comparatively little personal property, and a large part of what does exist is visible and easily found.

When our first census was taken in 1790, about one in thirty of our population was a resident of a city, but since then the urban population has steadily gained on the rural population, until now one-fourth of the population is urban. The following table, taken from the last census report on

population, shows the movement of population towards the cities from 1790 to 1880: —

Date.	Inhabitants of the cities in each 100 of the total population.
1790	3·3
1800	3·3
1810	4·9
1820	4·9
1830	6.7
1840	8.5
1850	12.5
1860	16.1
1870	20.9
1880	22.5

There is every reason to expect a continued concentration of population in cities, and a rational scheme of taxation will keep this movement in view.

Personal property has increased relatively more rapidly than real property, until now it is regarded as its equal in value in most of our American commonwealths. This would seem, however, to be a low estimate, if we may regard the estimate of an English writer[1] on finance, in regard to England, as at all trustworthy; for as early as 1869 he estimated the value of personal property in England at *double* that of real property.

THE NATURE OF THE DIFFICULTY.

The reason why our present system of taxation does not operate satisfactorily can be stated in a word: although it is on the face of it fair and simple, it is found in practice to be an impracticable theory, for a large portion of property

[1] Dudley Baxter.

escapes taxation, and that, the property of those best able to bear the burdens of government, namely, the wealthy residents of cities. On the one hand, it is impossible to find this property, and to force men to make returns under oath, results invariably in perjury and demoralization, without discovery of property; on the other hand, federal laws over which our states and municipalities have no control, enable many to escape taxation by investments, often temporary, in federal bonds, exempt from taxation.

Personal property is sometimes discovered in its entirety, but it is then nearly always the property of the comparatively helpless, namely, widows and orphans, whose possessions are a matter of public record. Less often a burden is imposed upon the conscientious. Thus, I happen to know of one wealthy town of a few thousand inhabitants, where three men of conscientious convictions with regard to a citizen's duty to the commonwealth, pay taxes on their personalty, although they have as good an opportunity to escape as others. This state of things naturally produces dissatisfaction on the part of farmers and other hard-working people, who feel that personalty ought to bear a share of the burden of taxation. On this account they suggest various things, like taxation of mortgages and a more vigorous search for hidden property. Their aim, as I have said, is commendable, but to attempt to reach the desired goal by direct means, under existing laws, or any laws which do not imply a change of the system of taxation, is as Utopian as the dream of the most radical socialist. If we desire to accomplish a purpose we must use means adequate to the end in view.

As there is a general misapprehension of the facts of the case, and as it is desirable to abandon at once all fruitless efforts to realize a Utopia, it is well to interrogate past experience and reason.

THE TESTIMONY OF EXPERIENCE.

I have first to remark that the one uniform tax on all property as an exclusive source of revenue, or the chief source — the main feature in direct taxation — never has worked well in any modern community or state in the entire civilized world, though it has been tried thousands of times, and although all the mental resources of able men have been employed to make it work well. I have read diligently the literature of finance to find one example, but in vain, and lest this should not be sufficiently trustworthy, I have made it my business, in my capacity as tax commissioner, to visit typical states and cities and to make inquiries in person, of citizens as well as of officials intrusted with the administration of the laws. I have visited Charleston, South Carolina; Savannah, Atlanta, and Augusta, Georgia; Columbus, Ohio; Madison, Wisconsin; Toronto, Montreal, and Quebec, Canada; and the result has been abundantly to confirm all that I have said about the impracticability of the one uniform tax on real and personal property. The experience of two or three states with the single direct tax on all property will be told in the following chapters.

CHAPTER IV.

EXPERIENCE OF OHIO.

PROBABLY the most vigorous effort to apply present methods may be found in Ohio, and to the experience of Ohio I will accordingly devote some considerable space.[1]

The Ohio system is the Maryland idea perfected, though perfected seems the wrong word to use; for, as already remarked, it is characteristic of this system that the more you perfect it, the worse you make it. However, it is a vigorous attempt to carry the Maryland idea into practice.

CONSTITUTIONAL PROVISIONS.

It may be remarked in general of the Ohio constitution, that it imposes excessive limitations upon the legislative power. It prescribes too many things, for it was drawn up at a time when becoming alarmed at abuses of power, people were more inclined to abolish or restrict power than to learn how to use it properly; as sensible a proceeding as that of the mother who wished her boy to learn to swim, without

[1] It may be proper to state first that on my arrival in Columbus I was taken to the office of the Governor, Hon. Joseph B. Foraker, by my friend, Rev. Washington Gladden; that I was courteously received by the Governor, and by him introduced to other gentlemen whom it seemed desirable that I should meet, and every facility given me for the prosecution of my inquiries. Special mention should be made of the courtesy of Hon. Emil Kiesewetter, Auditor of State, who explained at length every point in the system of taxation which is under his control.

incurring the danger of drowning in the water. The result is, that having shorn themselves of control over finance, the sinews of war, the people have often engaged in an unequal contest with vast corporations not subject to like limitations. This remark applies to the state of Maryland, where we find the state not able to borrow money for the maintenance of the Chesapeake and Ohio Canal, while no restrictions are imposed upon the borrowing powers of railway corporations, which may be rival enterprises. Unless the people dare to trust themselves in financial matters, they must always expect to be worsted in contests of this kind. Liberty is illusory for those who fear to trust themselves.

The most general provision of the constitution of Ohio, on the subject of taxation, is found in sections 2 and 3, Article XII., which reads as follows: —

"Sec. 2. Laws shall be passed taxing (1) by a uniform rule, all moneys, credits, (2) investments in bonds, stocks, (3) joint stock companies or otherwise; and also all (4) real and personal property, (5) according to its true value in money; (6) but burying-grounds, public school-houses, houses used exclusively for public worship, institutions of purely public charity, public property used exclusively for any public purpose, (7) personal property to an amount not exceeding in value $200 for each individual, may, by general laws, be exempted from taxation; but all such laws shall be subject to alteration or repeal, and the value of all property so exempted, shall, from time to time, be ascertained and published as may be directed by law.

"Sec. 3. The General Assembly shall provide by law for taxing the notes and bills discounted or purchased, moneys loaned, and all other property, (1) effects or dues, of every description (without distinction), (2) of all banks, now existing, or hereafter created, and of all bankers, (3) so that all

property employed in banking shall always bear a burden of taxation equal to that imposed on the property of individuals."

It is also provided that the state may create a debt to supply casual deficits or failure of revenue, to the amount of $750,000, but for no larger amount, and that no debt shall be contracted for any internal improvement. This renders it necessary that private corporations should carry out all future internal improvements, or that such work should be done by the local political units of the state, though it will happen at times that an internal improvement is not suitable for a local government, while it is not desirable to intrust it to a private corporation.

Special municipal legislation is further forbidden by the constitution; but as it is so necessary under the Ohio system, which provides for minute particulars of local finance, to pass different laws for different cities, according to their size, character, and peculiar needs, cities have been divided into classes, and these again into grades; and as only one city may be found in a given grade of a given class, in legislating for that grade, the legislature is, after all, making laws for a particular city. The practical necessity which compelled recourse to this subterfuge shows the absurdity of these minute and injurious constitutional restrictions.

The methods of assessing real and personal property must now be outlined.

REAL ESTATE.

Real estate is assessed once in ten years,[1] and in the following manner. The county commissioners divide the county into assessor's districts, and one assessor is elected for each district.

[1] The last assessment took place in 1880.

The county auditor, who is at the head of the county system of taxation, as the state auditor is at the head of the state system, furnishes to the assessor of each district a description of each tract and lot of property in the district, the name of its owner, the number of acres it contains, etc. If necessary, the county commissioners may advertise for bids for the construction of suitable maps for this purpose.

Each district assessor must value real estate after careful examination; and in case the owner cannot or will not give all necessary data, he may cause a survey of the land to be made at the owner's expense.

The assessor must note in his plat-book the value of all houses, mills, and other buildings, which exceed $100 in value, the number of acres of arable or plough land, the number of acres of meadow and pasture land, also of wood and uncultivated land in each tract. Each tract is to be valued separately "at its true value in money, excluding the value of crops growing thereon; but the price for which such real property would sell at auction or at forced sale, shall not be taken as the criterion of the true value."

The county auditor must correct returns from time to time on account of new buildings or destruction of buildings.

As the assessment in each county is under the control of one man, the valuation is generally uniform as between the various parcels of real estate within a county. The county auditor of Franklin County, in which Columbus is situated, at the time of last assessment, which took place in 1880, required all assessors to meet in his office once in two weeks to compare notes and to secure the adoption of uniform methods. A comparatively uniform assessment of property was thus secured in Franklin County.

The valuation as between the various counties is not uni-

form, but real property is valued all the way from seventy-five per cent. of its true value down to twenty-five per cent. A state board of equalization is elected, whose duty it is to see that property in all parts of the state is equally assessed; and right here we encounter a difficulty. Each member of the board is elected from a senatorial district, and he feels that he represents his constituents and not the state of Ohio, as the law contemplates; consequently each tries to reduce the assessed valuation of the part of the state which he represents, all oaths to the contrary notwithstanding. We have here two clearly marked defects which should be avoided. The constitution of boards concerned with taxation should not be of such a nature that each must naturally feel that he represents a particular locality; second, appointed tax officials are on the whole preferable, for elected officials always fear influential persons and do not assess them for so much as they know they should. I was told in Columbus about one conscientious official who tried to carry out the law, and place all property upon the tax duplicate. The only comment made was this: "He was never re-elected!"[1]

Another somewhat similar case came to my notice in New York. Faithful local assessors were diligent and successful in finding property for some time; whereupon some of the moneyed men of the place drew up a petition for the abolition of the local board of assessors and canvassed for signatures, with the demagogical plea that the local board involved a needless waste, and that property could just as well be

[1] The Connecticut special tax commissioners narrate the experience of an assessor in that state, who, by diligent search, succeeded in finding $200,000 of intangible personal property, such as railroad stocks and bonds, and money at interest, and added it to the grand list, and he writes to the commissioners, "that may have had something to do with my defeat when election came around." Report, 1881, page 23.

taxed on the general assessment for state and county purposes. Many signatures were received before people seemed to realize the character of the undertaking. The petition was taken to Albany, and the board abolished by the legislature.

Another defect of the Ohio system is noteworthy, especially for us in Maryland. The assessment of property once in ten years is not often enough, and owing to changes in value it leads to injustice as between citizens. The governor used these words on this subject in his annual message, dated Jan. 4, 1887: "The last decennial appraisement of real estate was had at a period of great prosperity; it was a time of general high values; since then there has been a heavy decline; farm property is from twenty-five to fifty per cent. cheaper to-day than it was then. The consequence is, that farming lands of the state, where they have not been affected by the growth of cities or other development, are now taxed on the average more nearly at their full value than any other class of property. In fact, the farm lands of some of the counties are taxed at even more than they could be sold for. But while this is true of the farm lands, the reverse is true of the real estate of many of the cities of the state where there has been growth and development, as in some portions of Cincinnati and in Cleveland, Toledo, Columbus, and many other cities that might be named. The valuations placed upon the real estate of these cities in 1880 are in the aggregate fifty per cent. of their present true value in money, and in some cases they will not exceed twenty-five per cent.

"The consciousness of this lack of uniformity, and the consequent injustice that must result to all who are fairly taxed, has had much to do in producing the unsatisfactory results that are experienced."

This passage from the message of the governor of Ohio shows the desirability of more frequent assessments. An assessment once in ten years is not often enough in any American state, because our values fluctuate so rapidly. When assessments are made only at rare intervals, a portion of the burdens of the state and local government is taken from those who have been specially prospered, — that is to say, those whose property has risen in value and who might with propriety be called upon to contribute a larger share to the public treasury than others, — and an additional burden is placed upon those who have suffered the misfortune to witness a depreciation of their property, and who might with reason ask for special consideration at the hands of the tax-assessor and tax-gatherer. John Stuart Mill says it is the function of government to do what it can to redress the inequalities and injustices of nature ; but in this case we see government aggravating these inequalities and injustices.

THE TAXATION OF PERSONAL PROPERTY IN OHIO.

We must now turn our attention to the assessment and taxation of personal property in the state of Ohio. We find in this state in actual practice most of the devices which have been recommended by those elsewhere, who are pursuing that will-o'-the-wisp, the fair and equitable taxation of all citizens by means of the one uniform direct tax on all property.

Blanks are made out containing lists of every conceivable kind of personal property. These blanks are sent to every person of the age of twenty-one and over, who must answer every question relating to the various sorts of property which he owns, or which are in his keeping, and he must do this under oath and under pain of heavy penalties. These lists are everything that could be desired, and in

inquisitorial nature, go far ahead of anything of the kind we have ever seen in the assessment of an income tax. I would call attention to the Revised Statutes of the state of Ohio, sections 2734 to 2746, inclusive, and in particular to sections 2736 and 2737, which read as follows — I will quote them to show that they go as far as law well can go in respect to inquisitorial examination into private affairs: —

"Sec. 2736. Each person required to list property, shall, annually, upon receiving a blank for that purpose from the assessor, or within ten days thereafter, make out and deliver to the assessor a statement, verified by his oath, of all the personal property, moneys, credits, investments in bonds, stocks, joint stock companies, annuities or otherwise, in his possession or under his control on the day preceding the second Monday of April of that year, which he is required to list for taxation, either as owner or holder thereof, or as parent, husband, guardian, trustee, executor, administrator, receiver, accounting officer, partner, agent, factor, or otherwise.

"Sec. 2737. Such statement shall truly and distinctly set forth, first, the number of horses, and the value thereof; second, the number of neat cattle, and the value thereof; third, the number of mules and asses, and the value thereof; fourth, the number of sheep, and the value thereof; fifth, the number of hogs, and the value thereof; sixth, the number of pleasure carriages (of whatever kind), and the value thereof; seventh, the total value of all articles of personal property, not included in the preceding or succeeding classes; eighth, the number of watches, and the value thereof; ninth, the number of piano-fortes, and the value thereof; tenth, the average value of the goods and merchandise which such a person is required to list as a merchant; eleventh, the value of the property which such a person is required to list as a banker, broker, or stock-jobber; twelfth, the average

value of the materials and manufactured articles which such person is required to list as a manufacturer; thirteenth, moneys on hand, or on deposit subject to order; fourteenth, the amount of credits as hereinbefore defined; fifteenth, the amount of all moneys invested in bonds, stocks, joint stock companies, annuities or otherwise; sixteenth, the monthly average amount or value, for the time he held or controlled the same, within the preceding year, of all moneys, credits, or other effects, within that time, invested in, or converted into bonds or other securities, of the United States, or of his state, not taxed, to the extent he may hold or control such bonds or securities on said day preceding the second Monday of April; and any indebtedness created in the purchase of such bonds or securities shall not be deducted from the credits under the fourteenth item of this section; but the person making such statement, may exhibit to the assessor the property covered by the first nine items of this section, and allow the assessor to fix the value thereof; and in such case, the oath of the person making the statement shall be in that regard only that he has fully exhibited the property covered in said nine items."

It is also provided that any person required to list property, who shall claim that there is no taxable property within his control, which he owns or which he has on account of others, shall be required to make oath to that effect.

It must also be added that these laws are actually enforced. The blanks are, as a matter of fact, distributed, they are filled out, and they are returned.

It is specially required that the personal property shall be assessed at its usual selling price.

The law affords every facility to the officers intrusted with the administration of the tax laws for the ascertainment of property. Indeed, it is hard to see how law could go fur-

ther. I refer to the Revised Statutes, sections 2781 to 2797, inclusive. Parties may be summoned, questioned under oath; and if any person fails to appear, or appearing, refuses to testify, "he shall be subject to like proceeding and penalties for contempt as witnesses in actions pending in the Probate Court." The costs and expenses must be paid by the person whose property is under examination, if he has made a false statement to escape the payment of taxes in whole or in part; but if the statement of the person is correct, and no intention to evade the payment of taxes shall be evident, the costs and expenses must be paid by the county.

If a person refuse to list or swear his property to the assessor, the auditor shall add fifty per cent. to the amount returned or ascertained, and the amount thus increased shall be the basis of taxation.

The powers granted by the laws are ample, as a matter of fact; but the officers intrusted with their administration are afraid to be over-diligent in the discharge of duty, knowing that in such a case they would not be re-elected.

Now, what is the result of all this? I will quote the statement of the governor in his "Special Message," dated April 6, 1887, premising only that all inquiries made on the ground lead me to suppose that the description of the actual situation does not err on the side of pessimism: —

"Personal property is valued all the way from full value down to nothing; in fact, the great majority of the personal property of the state is not returned, but entirely and fraudulently withheld from taxation. So far as

Personal Property

is concerned, the fault is chiefly with the people who list their property for taxation. The idea seems largely to prevail that there is injustice and inequality in taxation, and that

there is no harm in cheating the state, although, to do so, a false return must be made, and perjury committed.

"This offence against the state and good morals is too frequently committed by men of wealth and reputed high character, and of corresponding position in society.

"In connection with the recent refunding of our state debt, maturing next December, it was disclosed that some of the most prominent and highly respected men of our state held large amounts of these bonds, without having ever paid a dollar of tax on the same, or having in any manner reported them for taxation. The only excuse that has been suggested for this is, that bonds were supposed to be non-taxable; but it is difficult to be patient with such a claim when it is advanced by men of intelligence, familiar with our constitution and its requirement, — that all bonds, etc., shall be taxed.

"While such men thus disregard and violate the law, it must be expected that our tax duplicate will continue to decline, instead of increase, with our growth and development. The harm they do is not measured by the amount of money of which they deprive the state; their example is bad, and fraught with evil to the whole community."

In another part of the same message, the governor refers to the existing tax laws, and the constitutional requirements respecting taxation, in these words: —

Our Tax Laws.

"Our tax laws are, in the main, perhaps as wise as they can be made under the present constitution. If it were not for its positive injunctions, much might be said in favor of exempting from taxation the bonds of our state and municipal governments, to the end that we might not tax our credit and drive our securities away, but keep them at home and

pay the interest upon them to our own people. But that is impracticable, and unnecessary to be discussed.

"The requirement of the constitution is that all bonds, stocks, investments, etc., as well as real property, shall be taxed at their true value in money. Our laws have been framed with a view to securing this result, but it is manifest to all acquainted with our resources that they have lamentably failed; for all such know that instead of a grand duplicate of $1,670,079,868, we ought to have one of at least three thousand millions, and four thousand millions would more nearly represent the taxable wealth of the state."

The following extract shows a decreased valuation of personalty during a period of increasing wealth: "In 1883 the value for taxation of the personal property of the state, as shown by the grand duplicate, was $542,207,121. In 1884 it shrunk to $528,298,871, and for 1885 dwindled again to $509,913,986. This loss has been made up largely by the steady growth of the valuation of real estate, on account of new structures, etc., but the loss was greater than the increase last year, and the result is shown in the fact that the grand aggregate of all property of the state, both real and personal, amounted in 1885 to but $1,670,079,868, against $1,673,774,081 for 1884, or a loss of $3,694,213. This indicates that our wants and our ability to meet them, are travelling in opposite directions, and that unless the tax rate or the valuation of property is increased, the casual deficiencies will continue and grow larger without power to provide for them, because of the extreme limitation allowed by the constitution having been reached under the bill above referred to, providing for the issue and sale of the bonds of the state to the amount of $750,000, to meet the emergency now upon us."

These statistics show that the chief trouble is in getting at the personal property.

I conversed with many reliable citizens, who were frank with me in their expression of opinion. There was, naturally, a wide divergence between their various estimates; but nobody claimed that more than a comparatively small fractional part of the personal property was reached in the larger cities, while it was generally, if not unanimously, held that the larger the city the smaller the proportion of personalty reached — as, indeed, always happens. One successful business gentleman, well acquainted with different parts of the state, estimated the personal property taxed in Columbus at from ten to twenty per cent. of the whole, and the amount reached in Cincinnati at a considerably smaller percentage. On the other hand, I was informed that in Cambridge, Ohio, a city of a few thousand inhabitants only, a far larger proportion of the personalty was reached.

I conversed with a gentleman in Columbus, who, from practical experience, probably knows as much about taxation as any one in the state of Ohio, and was told that existing laws signally failed to reach large masses of property; that the burdens of government rested on the poorer and middle classes of society, and that the wealthy escaped.

A lawyer of standing in Columbus, who holds estates in trust for several parties, says that whenever he goes to the tax office, to pay taxes, he feels capable of committing robbery, arson, and murder; because he is obliged to pay taxes on the full value of estates of two, three, and four thousand dollars, belonging to little orphan children, whereas he sees wealthy clients paying on ten or fifteen per cent. of what he knows they are worth.

After a lengthy conversation with a gentleman who was once an official, and had served long in one of the tax de-

partments of Ohio, I said, "It seems to me, from what you say, there is not a wealthy man in the state of Ohio who is not a perjurer." He replied, "It is true." I do not wish to make any assertion of the kind; I simply quote what I heard, as an evidence of widespread demoralization.

CHAPTER V.

EXPERIENCE OF GEORGIA.

SO much attention has been given to Ohio because the principles embodied in our system of taxation seem to be as thoroughly and vigorously carried out there as elsewhere. It is well, however, to examine the experience of other states where similar systems of taxation obtain, in order that we may the better be able to determine whether the failure of the system in Ohio and Maryland is due, on the one hand, to certain local peculiarities or to imperfections in the details of the law, or in the administration of the law; or whether, on the other hand, the failure of the system is due to the nature of the system itself. I accordingly decided to visit Georgia, a typical and progressive Southern state, and to examine the practical workings of our system in that commonwealth.

The main feature of the tax system in Georgia is the one uniform tax on all property, real and personal, and the revenue from this tax defrays a greater part of all state and local expenses than all other sources of revenue put together. There are stringent provisions for the enforcement of the law which need not be described at length. All property is assessed yearly by tax-payers, and the returns are given to the tax-receivers of the various counties. These tax-receivers must examine the returns, and receive them only when apparently satisfactory; all returns are made by filling out blanks containing minute specifications designed, on the one hand, to aid the tax-payer in making a full return of all his prop-

erty; on the other, to make concealment difficult. The statute provides the questions which must be asked in the blank, and there are thirty-six distinct questions, many of them containing several sub-questions, if the expression may be used. The following, for example, is regarded as one question: "How many acres of land, except wild lands, do you own, or of how many are you the holder, either as parent, husband, trustee, executor, administrator, or agent; where is the same located by number, district, and section; what is the value thereof?"

The following are a few other questions which are asked: —

"How many shares in the bank of which you are president, and what is the value thereof?"

"How much capital have you in the bank of which you are president, and what is the value thereof?"

"How much capital have you in the bank of which you are president, as a sinking fund, or surplus fund, and not represented in the value of the shares?"

"How much property, real and personal, does the bank of which you are president, own, not used in the banking business, and what is the value thereof?"

"The value of merchandise of all kinds on hand?"

"How much capital invested in bonds, except bonds of the United States, and such bonds of this state as are by law exempt from taxation?"

"What is the value of your kitchen furniture?"

"The value of your gold watches?"

"The value of your silver watches?"

Finally, after many more questions, which would seem to include everything, this question is asked: —

"The value of all other personal property not herein mentioned?"

The statute also describes personal property, and these

are the words used: "*Be it further enacted*, That personal property shall be construed, for purposes of taxation, to include all goods, chattels, moneys, credits and effects, whatsoever they may be; all ships, boats, and vessels belonging to the inhabitants of this state, whether at home or abroad, and all capital invested therein; all money within or without the state, due the person to be taxed; all stocks and securities, whether in corporations within this state, or in other states, owned by citizens of this state, unless exempt by the laws of the United States, or of this state."

The oath which is attached to the lists to be filled out by the tax-payers is prescribed, and is as follows: "I do solemnly swear that I have carefully read (or have heard read), and have duly considered the questions propounded in the foregoing tax-list, and that the value placed by me on the property returned, as shown by said list, is at the true market value thereof; and I further swear that I returned, for the purpose of being taxed thereon, every species of property that I own in my own right, or have control of, either as agent, executor, administrator, or otherwise; and that, in making said return for the purpose of being taxed thereon, I have not attempted, either by transferring my property, or by any other means sought to evade the laws governing taxation in this state. I do further swear that in making said return, I have done so by estimating the true worth and value of every species of property contained therein."

This oath must be subscribed by the persons making the return, and the administration and taking of the oath must be attested by the receiver of tax returns.

An act was passed in 1874, entitled an act to provide for the correct assessment of taxable property in this state, which is worthy of notice, and in its aim to secure the co-operation of representative citizens with tax officials, it is

undoubtedly a move in the right direction, whether or not this may be precisely the right method of obtaining the desired end. It is provided in this act that the tax-receiver in each county must, at the fall term of the Superior Court in his county, lay his returns for that year before the grand jury, whose duty it is then to examine the same, and to assess at its true value all property which they may find undervalued. This corrected digest is the tax-receiver's guide for the succeeding year, and whenever any person returns his property at a valuation lower than that of the digest, its true value is ascertained by arbitration in this wise: The tax-payer appoints an arbitrator, the tax-receiver likewise appoints an arbitrator, and these two elect an umpire; to these the question of valuation is referred, and the decision of these three is final.

The system of taxation for the state of Georgia is placed under the supervision of the Comptroller-General, who issues "Instructions" to the tax-receivers, those officials concerned with assessment, and also to the tax-collectors of the state, informing them of the nature of their duties, describing the precise method of procedure on their part, in the fulfilment of their several duties, and pointing out to them pitfalls for the unwary or inexperienced. I have read these "Instructions" issued for the year 1886, by Hon. W. C. Wright, Comptroller-General, and can testify that they give evidence of the fact that they were prepared by an alert, experienced, and capable public officer, conscientious to the state in the discharge of the functions of his office. It would seem that the plan pursued in Georgia of placing the entire system of state and county taxation under the general supervision of one man, and making him responsible for the administration, has in it much that is worthy of commendation.

But does Georgia succeed better than Ohio in reaching all property? I doubt it.

The Comptroller-General, in his "Instructions" for the year of 1886, repeatedly has occasion to point out the fact that a large portion of property either entirely escapes taxation or is not assessed at its true value. I will quote a few sentences taken from different parts of these "Instructions": "Our lands are worth a great deal more than the same are being returned for taxation, and you cannot be too careful in the discharge of the duties imposed upon you in receiving their returns."

"CITY AND TOWN PROPERTY.

"There is very just complaint against the custom or practice of tax-payers returning this class of property to the receiver of tax returns, for the state and county, at a very much lower valuation than the same property is returned to the corporate authorities for taxation. It must be manifest to every one that property is worth as much when returned for taxation by the state or county as when returned to be taxed by the cities. Look closely to the returns of this species of property, and endeavor to correct the evil complained of."

"NOTES, ACCOUNTS, BONDS, MERCHANDISE.

"From a careful examination of the digest of file, in this office, it is evident to me that such property is not returned as it should be, and, as an officer whose duty it is to see that all property is returned, I ask of you to give this your careful attention." "All notes, accounts, and other evidences of debt are taxable, and, like other property, at their *market value*. It is sometimes the case that persons owning this class of property deed or convey it to citizens of other

states or remove same, in order to avoid paying taxes due on it. Such deeds and conveyances are illegal and void (see Code, section 813 . . .), and the property so deeded or conveyed must be returned for taxation."

"A great many merchants and other citizens of this state have borrowed money on bonds, notes, and other evidences of debt owned by them, and have deposited such bonds, notes, etc., as collateral security with the persons from whom they have made such a loan, and think that said notes, bonds, etc., being out of their hands on April 1st, such property should not be returned by them; this is not true."

"I desire to invite your attention especially to the returns of merchandise. An examination of the returns of this item of property in the state discloses the fact that at least fifty per cent. of this class of property is not returned for taxation at all. I am quite sure that a very large percentage of the watches, jewelry, pianos, organs, etc., owned in our state are not returned at anything like their market value."

The Comptroller-General, in conclusion, again takes occasion to remind the receivers of tax returns, that it is contrary to "law to allow any one to make a return of his property, without administering the oath and propounding the questions instructed from this office."

I visited Savannah, Atlanta, and Augusta, and conversed with public officers as well as with many citizens of character and standing in their respective communities, and the unanimous testimony of all who had given this subject any careful attention, more than confirmed the quotations from the Comptroller-General in regard to the inadequate nature of the returns of tax-payers.

I conversed with a gentleman in Savannah, who is probably as well acquainted with the actual workings of the tax laws there in force as any resident of the city, and he told

me that they could not reach the personal property; that millions of dollars escaped. "A person has bonds and does not return them; but what are you going to do about it?" asked this gentleman. "If he does not return them, must he not take a false oath and perjure himself?" I replied. "Yes," answered he; "and it is unfortunately a thing which is done every day."

I was told that people with elegantly furnished houses frequently valued their furniture at $500 or $600, although if the furniture were put up at auction, that in each room would bring as much. But I was again asked: "What are you going to do about it? We cannot well go into people's houses and examine their furniture. A gentleman has been appointed by the City Council who puts up the valuation of personal property, if there seems to be a reason for it, and $1,000,000 has this year been added to the assessed valuation of personalty; but after all, the burden of proof rests on the city. We cannot raise the valuation without a reason therefor."

Another gentleman, with almost equal facilities for careful observation, told me that no one paid any attention to the personal property tax. "There is, for example," said he, "a tax on watches, but there are not ten men in Savannah who own watches." This last was naturally said laughingly.[1]

The valuation of property in Savannah is acknowledged to be low because the valuation for municipal purposes is taken as a basis for state and county taxation, and the residents say that if the assessed valuation is raised, they will

[1] Through the kindness of Robert P. Dechert, Esq., City Comptroller of Philadelphia, I am enabled to give striking illustration of the futility of the attempt to tax everything. There is a state tax of one dollar on each gold watch, of seventy-five cents on each silver watch,

bear more than their fair share of the burdens of county and state, because property elsewhere is not assessed at its full value.

Savannah is situated in Chatham County, and one of the gentlemen connected with the administration of the tax laws for that county and for the state, told me that about 1873 the assessed valuation of property in Savannah was some twenty-six millions of dollars, and that the rate of taxation in the city was one per cent., but that to escape paying so much to the county and to the state, they reduced their assessed valuation to the neighborhood of twelve millions and raised their local rate to three per cent.

One feature of taxation in Savannah is unique for an American city, and deserves notice. It has long been the practice in Savannah to tax personal property and real estate at two different rates. The tax ordinance for 1887 fixes the rate of taxation on real estate at two and one-eighth per cent. of value, and on personal property at one-half of one per cent. Shares in banks and banking associations alone are excepted. The rate of taxation on shares in banks doing business in Savannah is fixed by state law at three-tenths of one per cent., whether the owner of such shares resides in the city or elsewhere. I was told by the

and fifty cents on every other watch carried in Philadelphia. The following table shows the number of watches of each description taxed in that city of nearly a million of inhabitants, in the years 1883, 1884, 1885: —

	1883	1884	1885
Gold watches	14,515	18,509	18,390
Silver watches	375	675	545
Other watches	19	74	55

head of the tax department, Major Hardee, that in his opinion the lower rate of taxation produced as large a revenue as a higher rate would. It is not claimed, however, that the results are entirely satisfactory, for, as has already been mentioned, large amounts of personal property escape. The assessed valuation for 1886 as it appears on the city treasurer's books was as follows: —

		MUNICIPAL TAX RATE. PERCENTAGE.	AMOUNT OF TAX.
Real estate . . .	$13,343,632	2½	$283,552 18
Stock in trade . .	2,341,046	½	11,705 23
Personal	3,521,525	½	17,607 63
Banking capital . .	1,898,891	⅘	5,696 67
Shipping	1,346,350	½	6,731 75
Total	$22,451,444		$325,293 46

It is simply impossible to tell what ought to be the exact proportion between real and personal property; but as it is a fact beyond controversy that large amounts of personal property escape taxation, it is manifest that it ought to be different from what it actually is in Savannah. No one, so far as I know, who has ever looked into the matter, claims that the amount of personal property in a modern city is less in value than the real estate; and if we assume that they are equal in Savannah we can see how far the Savannah system fails of reaching all personal property.

All the time I was in Georgia I saw no one who claimed that property in any part of the state was assessed at its

true value, though I understand that the assessments on some property in Atlanta were high; yet every one takes an oath to return property at its true value!

Again I remark that nothing is further from my thoughts than to make an attack on the people of any state, for I simply wish to show the natural consequences of our existing methods of assessing and taxing property.

It is not necessary to add further testimony from Atlanta and Augusta, as it would be scarcely more than a repetition of what has already been said.

CHAPTER VI.

EXPERIENCE OF WISCONSIN AND WEST VIRGINIA.

I. WISCONSIN.

Taxation of Railroads.

I WENT to Wisconsin to ascertain the experience of a new and progressive state in the Northwest, in respect to taxation. A great part of the revenue of this state is derived from a license tax on steam railroads, and it was proposed to raise all the revenues for state purposes from this tax in the near future. This method of taxing railroads yielded large returns, and seemed to give very general satisfaction. My attention was frequently called to it, and it was especially commended.

The license fees in Wisconsin are as follows: —

"1. Four per centum of the gross earnings of all railroads except those operated on pile and pontoon, or pontoon bridges, whose gross earnings equal or exceed three thousand dollars per mile per annum of operated railroad.

"2. Five dollars per mile of operated railroad of all railroads whose gross earnings exceed one thousand five hundred dollars per mile per annum, and are less than three thousand dollars per mile per annum of operated road, and in addition two per centum of their gross earnings in excess of fifteen hundred dollars per mile per annum.

"3. Five dollars per mile of operated road by all companies whose gross earnings are less than fifteen hundred dollars per mile per annum.

"4. Two per centum of the gross earnings of all railroads which are operated upon pile or pontoon bridges, which gross earnings shall be returned as to such parts thereof as are within the state.

"One-half of such license fee shall be paid at the time the license so issues, and one-half on or before the tenth day of August in each year."

The railroads resisted the tax at first, as corporations always do new taxes, until they perceived that it was impossible to escape its payment, and since that time they have given little trouble. The license fee is regarded as a payment for a privilege, and perhaps may more properly be so regarded than as a real tax, for a regular tax would not necessarily be excluded hereby. In Baltimore, Maryland, for example, license fees are paid, and regular taxes in addition, by street-car lines. The advantages of deriving a large revenue in this way are obvious. Railroad corporations are too powerful for local political units to handle, and for these to attempt to tax them leads to friction and corruption. States are really not powerful enough, but they are more nearly equal to the great railroad corporations in strength, and it is in every way desirable to turn all vast corporations, whose operations extend throughout the state, over to the state exclusively for taxation. Insurance companies and telegraph companies, are also, in Wisconsin, taxed by the state; but inadequate revenue is derived from telegraphs and telephones, and attention has been called to the propriety of bringing sleeping-car companies, operating in Wisconsin, under the general rule, and placing a license tax on them.

Since 1883 these special sources have been so productive that there has been no state tax for general purposes. A tax of one mill on the dollar, or ten cents on the hundred

dollars, is levied for school purposes, and a tax of one cent on the hundred dollars for the state university.

The railroad companies' license fees for 1885 and 1886 yielded $1,481,066.56 out of total receipts for the state of $2,963,538.88, or about fifty per cent. of all revenues.

The General Property Tax.

The oldest source of revenue, and until the present time an important one for the state, and still the chief one for all local purposes, is the one uniform tax on all property, real and personal. There is nothing especially noteworthy to be said about the experience of Wisconsin with this tax, as it is similar to that of Ohio and Georgia, although the administration of the laws does not appear to be nearly so strict, and the blanks with minute specifications are not required to be filled in by each tax-payer under oath.

Personal property, it was generally said — indeed, I remember no contradiction of the statement — was not reached; especially not in large places, and still more especially not in the case of men of large means. I was told that in a small city like Ripon, most of the personal property was reached, in Madison less, and in Milwaukee still less. This is in keeping with what I found everywhere. The great cities escape the personal property tax to a more considerable extent than the smaller cities and villages, and still more than the rural districts.

A gentleman of prominence, in a city in Wisconsin, which I will not name, and an office-holder under the present federal administration, said to me: "You see in me a monument of the iniquity of our present system of taxation. When I was a poor and struggling young man, with five or six hundred dollars' worth of personalty, I paid on all that I had; but now that I really have something, I keep still and

pay taxes only on part of my property. Indeed, when I think about taxation in our states and cities, I feel like turning anarchist and blowing things up with dynamite."

II. WEST VIRGINIA.

I will quote a few passages from the "Preliminary Report of the West Virginia Tax Commission," made in 1884, which have a bearing on the points under discussion, and which confirm the results of my own observations.

Those Evading Taxes are Generally Best Able to Pay them.

"For the purpose of suggestion, and by way of illustration, tax-payers may be divided into two classes. One class constantly schemes to shift off on a neighbor some burden which they themselves ought to carry; the other class, unskilled in the practices of evasion, submit to whatever is measured out to them by the recognized authorities, and pay whatever is demanded. The one class is shrewd, enterprising, and adroit; the other is content to accumulate property slowly, honestly, and by hard labor. It is the very first duty of a government so to shape its tax laws that this second class will be fairly dealt with; it is largely composed of those helpless and unobtrusive persons, who, treading the humbler walks of life, make but little noise in the world, and are seldom able to assert or defend their personal rights. Again, the first class, by reason of their activity and shrewdness, have more ability than the other class to carry their full proportion of a common burden. . . . It is a primary principle that the subjects of a state ought to contribute towards the support of the government, as nearly as possible in proportion to their respective abilities; but it will be seen before these reports are concluded, that in West Virginia almost the re-

verse is the case, and that a man of small means pays, as a rule, more in proportion than a man of large means.

"The statistics bearing on this point will scarcely be credited by persons who have not investigated the subject, and they exhibit a condition of things that ought not to be tolerated. It will be found, for instance, that a house and lot worth $800 is valued at $700, while a house and lot worth $8000 is valued at $4000—in the one case at seven-eighths, and in the other at one-half; that is to say, the owner of the small property has $100 untaxed, and the owner of the large property has forty times that amount untaxed. Again, when a person dies, his entire personal estate is listed and valued by the appraisers, whose appraisement is recorded by the county clerk. By comparing a number of these appraisements with the tax assessments made next prior to the death of such person, we find that a man with a personal estate valued immediately *after* his death at $200, was rated immediately *before* his death at $178; while a man whose estate is appraised at $5000 was rated at only $1500; that is to say, if the man of small means was rated in the same proportion as the man of larger means, he would pay taxes on only $60, whereas he now pays on $178.

"At present all the taxes from invisible property come from a few conspicuously conscientious citizens, from widows, executors, and from guardians of the insane and infants; in fact, it is a comparatively rare thing to find a shrewd trader who 'gives in' any considerable amount of notes, stocks, or money; the truth is, things have come to such a condition in West Virginia that, as regards paying taxes on this class of property, it is almost as voluntary and is considered pretty much in the same light as donations to the neighborhood church or Sunday-school.

"A merchant's stock of goods was worth $15,000; he

'gave it in' to the assessor at $2500, and this conversation occurred:—

"*Assessor.* 'I can't take this valuation; the law requires me to swear you.'

"*Merchant.* 'If you swear me, I'll vote against you next time.'

"Mr. A. paid $800 for his piano, and listed it as worth $100. Mrs. S. paid $250, and listed hers at $250.

"It is useless to continue these examples; they are only too familiar to every citizen. It is idle to expect a man to meet the assessor in a proper spirit, when he feels that he is subjected to the alternative of either telling a falsehood or being swindled. If I am compelled to pay a tax which belongs to my neighbor, I am swindled, and I feel the injustice as much as if robbed on the public highway.

"Under the present system (probably) four-fifths of the invisible property is not listed, and of the visible property that is on the assessor's books (probably) one-half is assessed at forty per cent. lower than the other half.

"We frequently hear the remark: 'If a man is ten times richer than I, he ought to pay ten times as much tax; whereas, the richer a man is, the less is his tax in proportion to his property.'"

CHAPTER VII.

EXPERIENCE OF NEW YORK.

LET us turn to New York state, where full returns are easily accessible. For many years attention has been called, by commissions and administrative officers, to the defective assessment of personal property in that commonwealth; but what have been the results of their admonitions? While no one doubts that personal property in that state has been increasing steadily, and with great rapidity, there has been a constant decline in the proportion of public burdens borne by personalty. "In 1869 real estate contributed seventy-eight per cent. of the public revenue, and personal property paid twenty-two per cent.; while in 1879 real estate was made to pay eighty-seven and eight-tenths per cent., and personal property only twelve and two-tenths per cent. of the whole tax. It would be difficult to show that the value of personal property has not increased to a larger extent in the past ten years than real estate." [1]

This decrease in the assessed valuation of personalty has continued from 1878 to 1880; the decrease in round numbers was thirty millions of dollars; from 1880 to 1881, there was an increase of twenty-nine millions, which was, however, more than counterbalanced by a decreased valuation of nearly thirty-six millions in 1882.

The New York assessors say in their report for 1881, that

[1] Governor's Message, 1881.

"banking capital[1] is assessed fully eighty-five per cent. of its nominal value, while it is quite evident that other personal property is assessed at an average of less than ten per cent." And in another place they use these words: "As it is an acknowledged fact that the assessable personal property in the state equals, if it does not exceed, the real value of the real estate, demanding a large share of the attention of the legislature and courts for its protection, and yielding quite as much profit to the owner as real estate, it should be made to bear more of the burdens of taxation.

"WHO PAYS TAXES ON PERSONAL?

"The answer to this question is to be found in the assessment rolls of the cities and towns, and is disgraceful to the commonwealth. Women, heirs, executors, administrators, guardians, and trustees of persons of unsound mind are assessed beyond all measure of justice.

"A man dies, leaving in personal property an amount, the interest of which is barely sufficient with rigid economy to support the widow. The records of the surrogate or the publication of loss by a life insurance company, reveals the fact, and the assessor, bound by his oath to be 'diligent' in his inquiry for personal property, enters the full amount on his roll; and if in a city, the tax of from two to four per cent. must be paid from the amount already too small to provide the necessities of life.

"This same assessor, however, if not forgetting his oath when inquiring of the wealthy neighbor as to his personal, very likely accepts the negative answer as truthful, though

[1] They must refer only to incorporated banks. One of the worst features of taxation in New York is the evasion of taxation by private bankers.

it is well known to the community that he possesses large means.

"The one has not yet learned how to cover the personal property by an assumed indebtedness, while the other is well versed in the many devices by which he may escape even the 'diligent' assessor.

"This is no fancy picture. Many cases of hardship in assessing personal property have come to our notice. Here is one: A man in comfortable circumstances, with a business giving him a good support, becomes insane. His business is placed in the charge of a trustee, who converts his effects into money. Awaiting a better opportunity for investment, the amount is deposited in a savings bank at four per cent. interest, the only means of support for the wife and family.

"The assessors placed the full amount thus deposited on the assessment roll, and yet they could truthfully say that they had not violated the law in so doing.

"The common practice of many is to create an indebtedness to bridge over the 1st of July, after which the assessor cannot reach the party for personal assessment.

"It must, however, be patent to every one that has given any attention to this matter of the assessment of personal property, that the present practice is a farce, and should no longer be tolerated."

Governor Hill refers as follows to the subject of taxation, in his annual message for 1886: —

"It is believed that the tax laws of the state need a thorough revision. The present system of taxation has existed for years with few changes, and comparatively little improvement. Every radical modification seems to have been stoutly resisted irrespective of its merits and propriety.

"It is evident that the personal property of the state does not pay its just proportion of taxes, and the disparity in the

assessed valuation of personal and real property verifies the statement that the statutes governing the appraisement and assessment of personal property are to a great extent defective and do not reach the great bulk of personalty for the purposes of taxation.

"For years the state assessors have directed public attention to the fact that the personalty of the tax-payers was escaping assessment, yet there has been a shrinkage from 1871 to 1884 (not inclusive) of $107,184,371.

"The loss has been upon the assessment rolls alone, for the personal property of the citizens of the state has greatly augmented during the same period. The wealth of the state has increased with its population and resources, and if the personal property does not show an increase upon the assessment rolls, it may be accounted for in part by a lax administration of existing laws, but it mainly may be attributed to the defects in the laws themselves.

"That such laws are inoperative to reach personal estate is evident by the mere statement of the fact that while — according to the last report of the state assessors — the assessed valuation of the real estate of the state is $2,669,-173,011, the valuation of the personal estate is only $345,418,361, or about one-eighth of the realty.

"It is reasonable to believe that if our present tax laws were reformed and placed upon some true and consistent theory, the assessment of the personalty would nearly equal the assessment of the realty, and thereby the present unjust burdens upon real estate would be greatly alleviated."

The state assessors in their report for 1886 substantiate the foregoing with these remarks: —

"The condition of the present assessment of the real and personal property of the state is correctly indicated by the

comparison we have instituted with former years. The comparison points to the remarkable fact that there has been an average yearly increase in the aggregate valuation of the realty for the purpose of taxation, and, with an occasional exception, a yearly decrease in the aggregate of the personal.

"The assessed valuation of real estate in 1875 was .	$1,960,352,703
The assessed valuation in 1885 was	2,762,348,218
Increase in ten years	$801,995,515
The assessed valuation of personal property in 1875 was	$407,427,339
Assessed valuation in 1885 was	332,383,239
Decrease in ten years	$75.044,160
The assessed valuation of real estate in 1884 was .	$2,669,173,011
Assessed value in 1885 was	2,762,348,218
Increase in 1885	$92,175,207
The assessed valuation of personal property in 1884 was	$345,418,361
Assessed value in 1885 was	332,383,239
Decrease in 1885	$13,035,122
Aggregate increase of real and personal in 1885	$79,140,085

"*Aggregate Tax paid by the Real and Personal, respectively, in 1875 and 1885, and the Rate Per Cent. paid by the Real and Personal in Said Years.*

"The amount of state tax levied for all purposes in 1875 was $14,206,680.11.

"The rate of state tax for the above year was six mills on each dollar of valuation.

"The aggregate sum of said tax paid by the realty in said year was $11,762,116.

"Paid by the personal, $2,444,564.61.

"The amount of state tax levied for all purposes in 1884 was $7,762,572.78.

"The rate of state tax on each dollar of valuation was $2\frac{33}{100}$ mills.

"The aggregate sum of said tax paid by the realty in said year was $6,873,120.50.

"Paid by the personal, $889,452.28.

"Rate per cent. paid by real estate in 1875 was $82\frac{79}{100}$.

"Rate per cent. paid in 1885 was $88\frac{53}{100}$.

"Rate per cent. paid by the personal in 1875 was $17\frac{21}{100}$.

"Rate per cent. paid in 1884 was $11\frac{47}{100}$.

"If the above statement had included the year 1871, when the assessed valuation of the personal aggregated $452,607,732 (the largest amount that has been spread upon our assessment rolls), it would appear that the personal paid over twenty per cent. of the total state tax in said year. Now it is generally conceded that the personal property has proportionately increased with the real, and that it is not sustaining its just proportion of taxation. We therefore suggest remedial legislation.

"*Estimated Aggregates of the Personal Property owned in the State Liable to Assessment and Taxation.*

Capital surplus and undivided profits of the National banks	$116,458,000
Capital surplus and undivided profits of state bonds	34,443,289
Capital invested in manufacturing, 1880, as per census,	514,246,575
Value of live stock and farming implements (census of 1880)	160,461,024
Capital in mercantile interests, estimated	750,000,000
Capital invested in bonds and mortgages, estimated	500,000,000
Capital invested in jewelry, paintings, statuary, household furniture, etc., not exempt	10,000,000
	$2,085,680,888

"It is a reasonable assumption that the above amount represents a fractional part of the personal of our taxpayers, and that the total sum liable to assessment and taxation fully equals the aggregate assessment of the real estate of 1884. At all events, the above estimates substantially indicate that the personal sustains but a small percentage of the burdens of government, and that the laws relating to the assessment thereof are loosely executed or defective.

"*Statement of the Assessed Valuation of Personal Property in Other States.*

"In 1880 the assessed valuation of personal property in the state of Massachusetts was $473,596,730, aggregating $151,128,018 more than the valuation of the personal in the state of New York in that year.

"In the above-named year, the assessment of said property in the state of Ohio was $440,682,803, aggregating $118,214,091 more than the assessment of the personal in New York in said year.

"In Ohio, the personal paid about 42 per cent. of the state tax. In Massachusetts, it paid about $42\frac{61}{100}$ per cent. In Indiana, with a personal valuation of $189,131,892, it paid about 35 per cent. In Illinois, with a personal valuation of $211,175,341, it paid about 37 per cent., while the Empire State, embracing the city of New York, wherein is concentrated and owned a large share of the wealth of the nation, the personal paid in the aforesaid year of 1880, about 14 per cent. of the state tax, and in the year 1884, only $11\frac{47}{100}$ of said tax.

"Bearing on the question of personal taxation, the New York *Times* of July 7, 1885, says: 'There is scarcely a doubt that the wealth held in this city in the forms classed

as personal property greatly exceeds that held in real estate . . . There is no doubt that twenty-five men in this city could be named, whose wealth in personal property alone exceeds the entire valuation of that class of property as shown on the assessment rolls.'

"Now, if the above statement is correct, viz., that the personal property held in New York City greatly exceeds that held in real estate, the following statement of the assessed valuation of the real and personal in that city, in 1884, suggests that a mere trifle of the personal property of its citizens is spread upon its assessment rolls, for the purpose of state or local taxation. Assessed valuation of the real estate in New York City in 1884, was $1,119,761,597. Assessed valuation of personal property in 1884, was $181,504,533. The New York *Tribune* of July 18, 1885, says: '. . . The wealth of New York City is exceeded by the valuations of only four states in the Union — New York, Massachusetts, Ohio, and Pennsylvania.'

"*Statement showing the Amount of State Taxes paid by the Real and Personal of the Several Counties in 1884, that embrace the Principal Cities of the State.*

"The county and city of New York paid state tax as aforesaid, as follows: —

On its assessed valuation of real, $3,072,104.54.
On its assessed valuation of personal, $508,681.22.
The real estate paid of said tax, $83\frac{44}{100}$ per cent.
The personal paid, $16\frac{56}{100}$ per cent.

"The county of Kings, including the city of Brooklyn, paid state tax as follows: —

On real estate, $731,031.45.
On personal property, $34,392.69.

The personal paid of said tax, $4\frac{69}{100}$ per cent.
The real paid, $95\frac{31}{100}$ per cent.

"The county of Monroe, including the city of Rochester, paid said tax as follows: —

The real estate paid, $165,232.95.
The personal paid, $8,791.35.
The real paid of said tax, $94\frac{68}{100}$ per cent.
The personal paid, $5\frac{32}{100}$ per cent.

"The county of Albany, including the city of Albany, paid state tax as follows: —

On its assessed realty, $183,529.64.
On its assessed personal, $19,463.45.
The real paid of said tax, $89\frac{40}{100}$ per cent.
The personal paid, $10\frac{60}{100}$ per cent.

"Erie County, including the city of Buffalo, paid state tax as follows: —

On assessed realty, $228,750.43.
On assessed personal, $27,521.78.
The real paid of said tax, $87\frac{97}{100}$ per cent.
The personal paid, $12\frac{3}{100}$ per cent."

It is not then surprising that the Hon. Alfred C. Chapin, late Comptroller of New York State and present Mayor of Brooklyn, advocates a new system of taxation, and speaks of the present system as "the antiquated system now prevailing."

BOARDS OF EQUALIZATION IN NEW YORK STATE.

One of the strange products of our astonishing financial methods is the board of equalization, which has reached its highest development in New York, and illustrates the paradoxical remark already made, that the more you improve our present system of taxation, the worse it becomes.

The tendency to undervaluation is an inherent part of present methods. Preceding chapters have made this sufficiently obvious. Real estate must be assessed by men of local knowledge, but men of local knowledge are interested in their own locality and are elected to represent its interests. The largest assessment district which is practicable is the county, and it is possible to assess property uniformly within a county. In New York state, however, assessment is made by township assessors, and the lower the assessment, the lower the tax. Each township board tries to outdo the others in under-assessing property, although sworn to return it all at its true selling value. To correct this, the county board of supervisors, consisting of one supervisor from each town, constitutes a county board of equalization with power to raise or lower the assessed valuation of real estate only, in any township, provided it does not alter the grand total.

What is taken from one town must, then, be added to another. This is an arbitrary proceeding and can at best be based on guess-work. It is said, however, that this power is used for political purposes; that a board of supervisors of one party has been known to punish a town for giving a majority for the opposite party, by adding a round sum to the assessed valuation of its real estate, which would naturally be taken from towns in favor with the dominant party. After the county board of equalization has arranged the relative valuations of the different townships satisfactorily, a state board of equalization equalizes the county valuations of real estate in a similar manner, taking something off from the valuations of some of the counties and adding it to the valuations of other counties, but leaving the aggregate valuation throughout the state unchanged. The opportunities for a misuse of power are equally great, and the proceedings must be of quite as arbitrary a character. Complaints are perpet-

ually heard on account of the equalizations of the state board, and a good deal of antagonism between various parts of the state, especially between New York City and the rest of the state, is produced. It is said that the political influence of the farmers induces the board of equalization to raise the valuation of New York City unduly; but, on the other hand, the farmers know that a large proportion of the vast wealth of New York City escapes taxation, and they feel that the city does not bear an adequate proportion of the public burdens. The state taxes are apportioned among the counties, and the county taxes, including the apportioned amount of state taxes, are apportioned among the towns. The town authorities add state and county taxes to the appropriations for town expenses, and raise the whole on the basis of an assessment of the town assessors. The individual assessments are not changed by the county and state boards, but the tax rate for county and state purposes must depend on the apportionment. Town authorities send the amount due to the county authorities, and the county authorities forward to state authorities the amounts assigned to their respective counties.

The state board of equalization, organized in 1859, consists of the lieutenant-governor, the secretary of state, the attorney-general, the state treasurer, the state engineer and surveyor, the speaker of the Assembly, and three traveling state assessors. The traveling assessors must visit every county in the state at least once in two years and "prepare a written digest of such facts as they may deem most important for aiding the board of equalization in the discharge of its duties." The state assessors do all the work, and really constitute the board of equalization. The other members are a useless appendage, and the assessors have recommended

that the board of equalization be reconstructed by the addition of two assessors and by the removal of the other state officers from the board.[1]

[1] See various annual reports of state assessors, especially that for 1886. See also "Tax Laws of New York," by W. W. Saxton, New York, 1880, Chapter I.

CHAPTER VIII.

EXPERIENCE OF OTHER STATES.

I. NEW HAMPSHIRE.

HON. GEO. T. SAWYER, as chairman of a special tax commission, made a report to the legislature of New Hampshire in 1876, in which he estimates that from one-half to one-third of the personal property in that state subject by law to taxation escapes, and he recommends radical changes in the tax laws.

II. CONNECTICUT.

The following remarks are quoted from the "Report of the Special Tax Commission," made in 1887: "A comparison of the grand lists of the state from 1864 to 1885, as given in the table appended to this report, will show that the proportion of those intangible securities to other taxable property has steadily declined from year to year. In 1855 it was nearly ten per cent. of the whole; in 1865 about seven and one-half per cent.; in 1875 a little over five per cent.; and in 1885 about three and three-fourths per cent. Yet, during the generation covered by these statistics, the amount of state, railroad, and municipal bonds, and of Western mortgage loans, has very greatly increased, and our citizens have invested large sums in them in almost or quite every town in the state. Why, then, do so few put them into the tax list? The terms of the law are plain, and the penalties for

its infringement are probably as stringent as the people will bear. Many attempts have been made from early times to create more effectual ones, but with little success. . . . The truth is, that no system of tax laws can ever reach directly the great mass of intangible property. It is not to be seen, and its possession, if not voluntarily disclosed, can, in most cases, be only the subject of conjecture. . . . Such considerations as these, coupled with the results of an investigation of now nearly three years into the practical working of our tax system, have brought us to the conclusion that all the items of intangible property ought to be struck out of the list. As the law stands it may be a burden upon the conscience of many, but it is a burden on the property of the few; not because there are few who ought to pay, but because there are few who can be made to pay. Bonds and notes belonging to estates of deceased persons or infants are generally traced through the Probate Records, and brought into the tax list; but those held by an individual are, for the most part, concealed from the knowledge of the assessors; nor do they, in most towns, make much effort to ascertain their existence. The result is that a few towns, a few estates, and a few persons of a high sense of honesty, bear the entire weight of the tax. Such has been the universal result of similar laws elsewhere."[1]

III. MARYLAND.

The defective assessment of personal property in Maryland is a matter familiar to all citizens of that state, and it needs no lengthy treatment here.

The Appeal Tax Court of Baltimore estimated in 1881,

[1] "Report of the Special Committee of Connecticut on the Subject of Taxation," January session, 1887. Pages 23, 26, 27.

that fifty millions of dollars were in this city invested in United States bonds or other government securities, in addition to those used in banking. Now, these bonds can be openly manipulated in such manner as to render a large share of the personal property of Baltimore untaxable. They can pass from hand to hand, and debts can be created on them. It is customary for corporations and wealthy individuals to invest in bonds temporarily, to avoid taxation.

One of the questions propounded to the Appeal Tax Court of Baltimore, by the tax commission of 1881, was this: "To what extent do you succeed in reaching investments made by residents of this state, in private securities of any kind?" The answer was: "We utterly fail in reaching private securities of every description. Here and there only have they been returned by some conscientious holder." The city collector was asked this question by the same commission: "Does your experience enable you to suggest any effective way of collecting taxes on personal property?" He replied: "The collection of taxes on personal property is attended with so many and such insurmountable difficulties that I am at a loss what suggestion to make looking to a more effective collection."

It may be further remarked that the same tendency to reduce the relative assessment as the wealth of the tax-payer increases, is found in Maryland as well as in other states. It is seen even in the case of real estate, although the evil is, I think, not so marked with us as it is elsewhere. Nevertheless, a house worth two, three, four, or five thousand will, in Baltimore, at any rate, be assessed for nearly its true selling value, and sometimes for more, while a house worth from thirty to eighty thousand or more will probably not be assessed for over two-thirds of its value, the owner arguing, and with some plausibility, that it could not be sold for what it

cost. It may be doubted, however, whether the legislature intended those whose means enables them to build houses so expensive that there is no market for them, to bear a smaller relative burden than others.

It is interesting to notice that the necessities of the case have led to a practice in Baltimore, with reference to the taxation of personal property, somewhat similar to that of Savannah. There are not two different rates for real and personal property, but personal property is assessed in proportion to the income it produces. Personal property is so assessed that it yields ten per cent. on the assessed valuation. A thousand dollar bond bearing three per cent. interest, for example, would be assessed for only $300. It is found that a higher tax will drive personal property from Baltimore. Even this arrangement makes taxation high. The state and city tax rate for Baltimore in 1888 is $2.07¾. Every ten dollars in income from personal property must pay, then, $2.07¾, or nearly twenty-one per cent. This is not a legal arrangement like the Savannah system. It is, in fact, illegal, but it is the best thing which can be done under our antiquated tax laws. There is a similar arrangement authorized by law for the assessment for state taxation of the public debt of Maryland liable to taxation, whether owned by residents or non-residents. Debt bearing 6 per cent. interest is assessed at par; debt bearing 5 per cent. interest at $85 in the hundred; debt bearing 4½ per cent. interest at $80 in the hundred; debt bearing 3 per cent. interest at $64 in the hundred. The state treasurer simply retains the tax, and thus the difficulty encountered in Ohio is obviated. Mortgages in Maryland are exempted from taxation by law.[1]

[1] Parts of Maryland retain features of the financial methods of the last century. The antiquated arrangement of farming out the *collection*

IV. ILLINOIS.

Dr. Patten's Essay.

Dr. Simon N. Patten wrote a work called "Das Finanzwesen der Staaten und Städte der Nordamerikanischen Union" (Finances of the States and Cities of the United States), published in Jena, Germany, 1878, which deals chiefly with taxation in Illinois, and which reveals a state of things in that commonwealth precisely like that described in other states. The assessed valuation of property in Illinois in 1875 was as follows: —

	Millions of Dollars.
Cattle	80
Railroads	60
Real estate	780
All other property	165
Total	1085

Real estate and railroads paid seventy-eight per cent. of the taxes, cattle seven per cent., leaving only fifteen per cent.

of the revenues still exists in Maryland. As already mentioned, the collection of taxes in Harford County is sold at auction to the lowest bidder. In Kent County landed property is divided into three classes, and horses and cattle are uniformly assessed. The details in regard to the assessment of property in Kent County are given in the following letter which I received from Hon. James Alfred Pearce: —

"It appears from the assessment books that practically all farming lands were divided into three grades — at $35, $25, and $15 per acre. There is no tract so far as I have been able to find, assessed at over $35, and there are very few tracts of farming land assessed at less than $15.

"Some small parcels of from one to ten acres, and improved with good dwellings, are assessed higher, but these are not classed as farming lands.

"Again in some cases, more numerous than I had supposed, persons

for all other property, which is, of course, absurd. Dr. Patten calls attention to the fact that assessors and collectors of taxes are elected for one year only, and as a system of rotation seems to meet with favor on the part of voters, they are devoid of that experience which is an indispensable condition of a faithful performance of duty. The fact that one has enjoyed office for a year is regarded as a good reason why some one else should have a chance. Voters good-naturedly consider a special misfortune which has befallen one of their number, or any special need, as a reason why he should be elected, and from motives of pity, weak and inefficient men are elected. This appears, as far as my observation has extended, to be common everywhere in the United States.

appealed to the Board of Control and Review, and these reduced valuations in some cases to $30, in some to $28, $20, and $18, and also reduced marsh, hillside, and other waste portions of large tracts to $10 per acre or $5 per acre, so that there is an apparent want of uniformity, and lack of classification. Still, I think it is safe to say that after examination I find three-fourths of the farming land in the county embraced in the three grades of $35, $25, and $15. There is an absolutely uniform assessment of farm cattle as follows: —

Horses and mules, each	$50
Cattle	20
Hogs	5
Sheep	4

"The exceptions to this classification are so few as to be insignificant. A few stallions kept for breeding purposes and a very few fine driving horses are assessed higher, but probably not twenty in the county are so assessed. There have been a good many changes made in the assessments since 1876 by the County Commissioners under their general authority to correct assessments, but in spite of all these, I still think that three-fourths of the land is within the three classes mentioned. Of the lands assessed at $35, some would probably bring $75, some $65, some $50, some $40."

Dr. Patten draws the justifiable conclusion that the failure of the system of taxation in Illinois is accounted for by the nature of the system itself, and that that must be changed to produce any considerable improvement. The practice of confining one's self to the one direct tax on the assessed value of property must, he thinks, be abandoned.

Dr. Patten examines the allegation that the cause of high taxation is to be found in universal manhood suffrage, and disproves it satisfactorily. He finds it rather in the control of real estate speculators, who have taxed the people for the improvements of their property. Taxation has increased more rapidly in small cities than in large cities, and in several counties in Illinois where the property owners were clearly in the majority, he found that the tax rate was higher than in Cook County, in which Chicago is situated.[1] The following tables are instructive: —

[1] When Mr. Enoch Pratt offered to give over $1,000,000 to Baltimore on condition that the city should appropriate $50,000 a year for a free library, I think there was no serious opposition on the part of the rich, but one of the poorer wards actually voted against an acceptance of this magnanimous offer! Workingmen in Buffalo recently protested against improvements which are being carried forward in the interest of real estate owners. The *Real Estate Record and Builders' Guide*, of New York, for March 31, 1888, says: "Towns like Elizabeth, N.J., have been bankrupted by the owners of realty, who insisted upon improvements which were fifty years ahead of any possibility of their being needed." There is reason to believe that large real estate owners in New York City work bills through the legislature of New York for local improvements, to be paid for by special assessments on the property improved, which bills, however, are purposely drawn with legal flaws in them, and that after the improvements are made, the law is declared by the court of no effect, which throws the cost of the improvements on the tax-payers. It would be possible to mention names. The reader will do well to consult Mayor Hewitt's messages of 1888, in which he complains of the burdens by this means thrown on the city.

	TOTAL TAXABLE PROPERTY.		TAXES FOR THE YEAR		PERCENTAGE OF TAX ON PROPERTY.	INCREASE IN TAXES, FROM 1866–76, IN PERCENTAGE.
	1876	1866	1876	1866		
	Dollars.	Dollars.	Dollars.	Dollars.	1876.	
20 cities with 100,000 inhabitants or over	4,573,905,000	2,653,808,000	87,357,000	50,425,000	1.9	73
17 cities with 40,000 to 100,000 inhabitants	654,201,000	303,276,000	10,022,000	5,120,000	1.5	95
37 cities with 20,000 to 40,000 inhabitants	566,032,000	297,459,000	9,072,000	5,319,000	1.6	70
56 cities with less than 20,000 inhabitants	380,943,000	197,075,000	6,259,000	3,194,000	1.6	95
130 cities	6,175,082,000[1]	3,451,619,000	112,711,000	64,060,000	1.8	76

[1] The various amounts, it will be noticed, are given in round numbers. Allowance is made in the footings for hundreds omitted.

COUNTIES.	TOTAL TAXES.	TOTAL TAXABLE PROPERTY.	PERCENTAGE OF TAX ON PROPERTY.
	Dollars.	Dollars.	
Alexander	166,389	2,408,000	6.9
Pike	432,888	11,488,000	3.7
Pulaski	109,775	898,000	12.2
Gallatin	92,403	1,869,000	4.9
Saline	77,760	1,615,000	4.8
Williamson . . .	86,449	2,336,000	3.7
Cook	9,597,041	229,927,000	4.1
Effingham	143,713	3,942,000	3.6
Hamilton	68,014	1,697,000	4.0
Hardin	26,378	683,000	3.8
Johnson.	61,536	1,365,000	4.5
Randolph	201,809	5,392,000	3.7
The State	29,007,461	1,085,540,000	2.6

It is true that two parties, tax-payers and non-tax-payers, have never been opposed to each other, as it is true that men of means control all our legislatures and municipal

He does not, however, appear to have ever heard that this was wilfully brought about. The following quotation is an extract from a report of the Pennsylvania Commission on cities, made in 1878: "The undue accumulation of debt in most of the cities of the state of Pennsylvania has been the result of a desire for speculation on the part of owners of property themselves. . . . Large tracts of land outside the built-up portions of cities have been purchased, combinations made by men of wealth, and councils besieged until they have been driven into making appropriations to open and improve streets and avenues largely in advance of the real necessities of the city." Professor Henry C. Adams says he is fully prepared to accept this testimony. See his "Public Debts," page 354. The plan which I recommend in Part III., whereby cities may secure a portion of the increasing value of real estate, would do much to prevent attacks of speculators on the public treasury.

councils. Speculators, property-owners in Western cities, have spent public money lavishly for the sake of helping forward a "boom," and then when the crash has come, they have cried out, "We are ruined by universal suffrage!"

The Report of the Revenue Commission of 1886.

This report indicates no improvement in the financial system of Illinois since Dr. Patten's essay was published. The following extracts from this report reveal some of the defects of present methods of taxation in Illinois: —

"The gross inequality in the assessments of different pieces of property of the same kind, owned by different individuals in the same community, and of different kinds of property, regardless of ownership; as, for instance, real estate and personalty — a large proportion of the personalty escaping all taxes.

"The arbitrary and unjust operation upon individual assessments of the system of equalization between counties by the state board.

"The inadequacy of existing methods to discover and estimate valuable interests which have grown out of the inventions and refinements of modern commerce.

"The want of a central and efficient supervision of the administration of the revenue laws throughout the state.

"The realty of one man is assessed at one-third, one-half, two-thirds, or even the full measure of its actual value; while that of his neighbor is assessed at one-sixth, one-tenth, one-twentieth, or, as was shown in one instance of considerable magnitude, one twenty-fifth of its actual value. The owner of the one pays, as his annual tax, five or six per centum of the whole capital invested, while the owner of the other pays one-fourth or one-fifth of one per cent. Such distinctions are too invidious to be meekly borne.

"The discriminations in favor of personal property, and against realty, are glaring and unjust, amounting, in some species of the former class, to an almost total escape from taxation.

"For instance, for the year 1884, in Cook County, containing the great and wealthy city of Chicago, the total valuation of

Credits of bank, banker, broker, etc., was	$98,615
Credits of other than bank, banker, etc.	209,463
Bonds and stocks	75,830
Shares of capital stock of corporations not of this state	100

"The second objection to the operation of the present law is a very grave one, and was uttered and reiterated by nearly every one who appeared before us.

"For the same year, the valuation of credits, other than those of bank, banker, etc., in the following counties, stood thus, to wit: —

Cook	$209,446
De Kalb	377,223
Kane	348,913
McHenry	400,881
Winnebago	725,218
Ogle	432,866
Stephenson	239,758
Henry	236,987
La Salle	632,681
Knox	793,819
Pike	344,083
Morgan	461,730
McLean	591,586
Coles	250,209

"In this important element of wealth, always disproportionately augmented in large cities, as compared by population,

small rural counties surpass metropolitan Cook, and some of them three or four fold.

"Equalization would seem plainly necessary. But how does it work under the present system? The state board deals with the aggregate assessment of lands, lots, and personal property — three classes — and adds to, or subtracts from, each class a fixed and arbitrary percentage; thus raising or lowering all property in each class in equal proportion. Thus upon pieces of property already assessed at a large fraction of their value, frequently an increase of valuation is made, which carries them above their market value.

"By way of illustration, we cite one instance in Cook County, as follows: —

"A block of real estate worth $100,000 was assessed at $90,000. The Board of Equalization added sixty-seven per cent., making the equalized assessment of that property $150,300. If a scrupulous owner of credits in Cook County should return them at their value, he would be ruined by an equalization that would bring the county to its full equalized value. In this particular, with other counties, similar instances, more or less extreme, occur every year."

It is to be observed that the Illinois system of equalization is different from that of New York. In Illinois the assessments of individuals for all purposes are increased. The rate of taxation is not changed, but the basis for the individual is changed. This makes the equalization apply to local taxes, which is not the case in New York state, and it can be very oppressive if one has made an honest return. The equalization of Illinois applies to personal property as well as real property, whereas it applies only to the latter in New York state. A further difference is that the Illinois authorities in equalization are not obliged to keep the

original aggregate valuation of all property. It is provided that in the county equalization the result must be kept as near the total assessed valuation as possible.

A further difference between the New York and Illinois systems is this: The New York state authorities demand of the counties fixed sums, and each county demands of its towns fixed sums, and rates must be laid to meet these demands. Illinois demands a certain percentage of the assessed value of all property, and whatever that yields, more or less, flows into the state treasury. When Dr. Patten wrote his essay, — and probably it is still the case, — the collections were poorly made, and showed radical defects in the entire system.

It is necessary in Illinois to raise the rate sufficiently to cover the loss on account of failure to collect, and cost of collection. The estimated loss on account of both items — failure to collect, and the expenses attending the raising of the revenues — was as follows from 1865–1875: —

1865–1871 (inclusive)	10 per cent.
1872	11 "
1873	18 "
1874	17 "
1875	13 "

It is remarked by Dr. Patten that the increased loss after 1872 was due to severer laws passed in that year which led to the assessment of property from which no taxes could be collected.

Testimony of this sort might be extended indefinitely, and from all parts of the country. I might quote the testimony of a tax-payer of Charleston, South Carolina, one of the largest tax-payers in the state, who told me that only a fractional part of personalty was reached, and that it was impossible to

carry out the law with regard to that kind of property, as the tax would absorb so large a proportion of the income. This gentleman stated that he paid only on part of his personalty, but that the tax department was only too glad to get what he was willing to pay. I might refer to the published lists of tax-payers in Brooklyn and New York City, and call attention to the ridiculous assessment of personalty standing against names known far and wide for large wealth. I might call attention to a single estate whose representatives acknowledged a taxable personalty of thirty-three millions, but refused to pay on more than eight millions, under threats of withdrawing their property from the reach of the tax-gatherer in the city. But this is entirely needless. The actual experience of our various American states and cities affords ample illustration.

CHAPTER IX.

OTHER FEATURES OF EXISTING FINANCIAL SYSTEMS OF AMERICAN STATES AND CITIES.

INTRODUCTORY REMARKS.

WERE this a book intended primarily for specialists, it would require two or three volumes to describe adequately the financial systems of American states and cities. It must, however, be distinctly understood that this is primarily a practical work for practical people. Its purpose is to draw attention to the main features of American state and local finance, and not to enter into all the complicated details of administration and all the complexities of legislation and judicial decisions. This book aims to present an outline sketch of what exists, and to indicate the lines along which financial reform must move. Readers will be able to fill in the sketch here given by personal inquiry and research. Teachers who may use this book in the class-room will discover many points which should be further explained to their classes, and will find it advantageous to assign topics to their students for further elucidation. Local tax authorities will be able to give the needed information about local taxation, and state laws will be found useful in a study of state taxation, while intelligent legislators and state officials will be glad to explain to classes the practical operations in which they are engaged.

ORDINARY BUSINESS LICENSES AND OCCUPATION TAXES.

All cities and many states have licenses for a few occupations, and these are generally specific. Fixed sums are paid for the privilege of engaging in a few specified gainful pursuits. The privilege of retailing liquors is probably taxed in every American city, while state and county often add a license tax to the local license tax. In a Georgia city liquor-dealers pay four license taxes; namely, one to the city, one to the county, one to the state, and one to the federal government.[1]

Boston has license taxes for pedlers, keepers of billiard tables, pawn-brokers, carriages, second-hand dealers, horse-car drivers, junk-dealers, owners of dogs. Owners of hacks for hire are often taxed by the license system. Keepers of bowling-alleys and dealers in fireworks often pay a license for this privilege. Keepers of intelligence offices are among those who appear to be frequently required to pay an annual license tax. Pedlers are frequently required to take out a license. Virginia, for example, passed a law approved January 27, 1888, taxing each pedler $300 when he travels on foot and $500 provided he "peddles otherwise than on foot." Newsboys and bootblacks pay a license tax of twenty-five cents each in Cleveland, Ohio. The object of this license fee is probably to bring about a registration of newsboys and bootblacks.

Although these charges for the licenses are generally spe-

[1] A dealer in intoxicating liquors in Savannah pays as follows: —

1. Federal government license, $25.
2. State license, $50.
3. County license, $100. (Chatham County.)
4. City license, $200.

cific, the amount collected from each licensed person is not always the same. Keepers of horses for hire are sometimes charged so much for each horse or each carriage. Street-car lines are often charged so much for each car. Keepers of billiard tables are frequently charged a certain sum for the first billiard table and a less sum for each additional table.

Northern states and cities require licenses for a few specified pursuits only, and leave every one perfectly free to enter all other occupations according to opportunity and inclination. The system of freedom obtains.

Southern states and cities pursue a different policy; namely, that of restriction. A special tax is exacted from every one who within their limits attempts to gain a livelihood, and the purpose of the license system is twofold: first, revenue; second, local protection by exclusion of competition. It would require too much space to give all the regulations concerning licenses in Southern states; indeed, this entire book would not be sufficiently voluminous for that purpose. It may be said, however, that the license system is universal south of Mason and Dixon's line. A few examples will be given which a perusal of state laws and municipal ordinances will show any one to be merely typical.

In Charleston, South Carolina, there are fifty-six classes of business to which licenses are issued, besides a few special licenses. One gas company paid a license of $500; seven building and loan associations, a license tax of $50 each; two railroad companies, $500 each; two real estate agencies, $50 each; one telephone company, $500; two telegraph agencies, $500 each; eight auctioneers and real estate brokers, $75 each; twenty-three billiard tables, $25 each; twelve boarding-houses and hotels, from $10 to $100, according to the number of rooms; barbers, for each chair,

$3; one circus, $500; builders, master mechanics, and workmen of all trades and employments, not specially named elsewhere, sixty-six employing no hands, $12 each, and thirty employing not over ten hands, $30 each; four dentists, whose gross business does not exceed $1000 each, $15, and four whose gross business does not exceed $2000 each, $25; three dealers in sewing-machines pay from $20 to $40 each, according to sales; commercial brokers, $100 each; five stevedores, $50 each; eight merchant tailors, $50 each; dealers in merchandise not specially named elsewhere pay from $20 to $500, according to sales. The total receipts of Charleston for the year ending December 31, 1886, from licenses, amounted to $128,459, out of a total revenue of $538,336.52.[1]

A thoroughly "protected" town is Charlotte, North Carolina. Every bar-keeper must pay $1000 for the privilege of selling spirituous, vinous, and malt liquors; every express company, $250; every gas or electric-lighting company, $100; on every fruit or vegetable stand, $10 must be paid; every bootblack must pay $3; surgeons, dentists, physicians, lawyers, civil engineers, etc., $15 each.

The "Schedule of Licenses" in the tax ordinance of the city of Atlanta, for the year 1886, occupies six pages of the printed ordinance.

Persons who barter or sell goods within the state of Maryland must first procure a license, called a "trader's license," for which the following charges are made: —

If the applicant's stock does or will not exceed $1,000, a license of $12.
If over $1,000 and less than $1,500, a license of $15.
" 1,500 " " 2,500, " " 18.
" 2,500 " " 4,000, " " 22.
" 4,000 " " 6,000, " " 30.

[1] See "Year-Book of the City of Charleston," 1886.

If over	$6,000	and	less than	8,000,	a license of		$40.
"	8,000	"	"	10,000,	"	"	50.
"	10,000	"	"	15,000,	"	"	65.
"	15,000	"	"	20,000,	"	"	80.
"	20,000	"	"	30,000,	"	"	100.
"	30,000	"	"	40,000,	"	"	125.
If	40,000	or	over,		"	"	150.

A female engaged in vending millinery, whose stock does not at any time exceed $500, is entitled to a license for $6.

The receipts from this source of revenue for the year ending September 30, 1887, were $187,187.29. Many other persons pay licenses in Maryland, as, for example, brokers, bankers, pedlers, liquor-dealers, and express companies. The total receipts from licenses, for the year ending September 30, 1887, amounted to $521,311.14 out of total receipts of $2,440,363.53; but part of the total receipts was expended in the redemption of state stock, and a considerable portion was used in purchasing stock for the sinking fund. The ordinary expenses of the state government amounted to only $1,699,063.44. It will be seen that a large proportion of state expenses is provided for by the Maryland system of licenses. The property tax of 18¾ cents on the $100 for this period yielded $910,949.50. Among the license fees of Maryland which has yielded a considerable income up to the present year was the marriage license of $4.50, of which fifty cents was for the clerk of the court. The marriage license fees for 1886 yielded the state $24,226.98 net. This fee was reduced to one dollar in 1886, because it was considered unjust, oppressive, and a restraint upon marriage. Maryland taxed bachelors in the last century, to encourage matrimony, and it was undoubtedly a departure from ancient policy to tax marriage.

The system of licenses on persons engaged in ordinary

pursuits is a most vicious one from every point of view. It tends to promote pauperism, because it makes it difficult to enter any pursuit which one may desire to follow. The license fees are considerable, and are a great burden to persons beginning business, as every one who has lived in a Southern city knows.

When a man has failed in one pursuit, the license fee for entering another is often an insurmountable obstacle. Licenses prevent freedom of movement. It is desirable that every one should be at liberty to move about from place to place, and to change his pursuit from time to time until he can find the right place and the right occupation, and then be enabled to gain a livelihood. A considerable proportion of the improvements in modern times, as compared with previous centuries, is due to increased freedom of movement. The license system may be fairly called mediæval in its character. The tendency of modern times is supposed to be in favor of giving a man every opportunity to make the most of his talents, and particularly to place no obstacle in the way of his becoming independent and self-supporting. The license system pushes the comparatively weaker elements and the industrially unfortunate down, and then helps to keep them down.

The license system imposes regressive taxation upon those who live under it. The rate of taxation increases as one's means decrease. It violates the fundamental principle of equality of taxation.

The license system drives men away from the states and cities in which it exists. It comes repeatedly to the notice of the careful observer that one who is more or less doubtful about starting business in a Southern city is finally decided not to do so by the license tax. Those who have left such a city would, in some cases, undoubtedly have developed a

business which would have been beneficial to the city and state, had they not been deterred by the license taxes. Taxes on property are generally high in cities which have licenses. Licenses like many of ours remind me of taxation in the time of feudalism, when only those were taxed who were too weak to resist. Those who are prosperous find specific licenses a small burden, and those who are just entering a business career are too weak to resist successfully. Licenses thus encourage monopoly and are undemocratic. Of course the case of licenses for natural monopolies and corporations is essentially different, and in case of liquor licenses restriction is the very thing aimed at, and is the justification of high license.[1]

It is strange that our Southern states, which have prided themselves on their liberal views in regard to international trade, should maintain the most oppressive system of local protection known to the civilized world.

Licenses on corporations of a *quasi* public nature, or those engaged in pursuits which are natural monopolies, ought to be in proportion to gross revenues, and not specific. Southern cities usually, however, tax street-car lines, gas companies, express companies, telegraph and telephone companies, and electric-lighting companies at a ridiculously low figure because they include licenses for them under the general license system. Baltimore pursues a more rational policy with reference to street-car companies, in imposing a license fee on them of nine per cent. of gross revenues, in addition to a license charge of $5 for each car, and in addition to the regular tax which they pay to state and city on the value of

[1] On the same principle the license tax in Savannah of $500 on "every owner, proprietor, or keeper of a 'bucket' shop, or a place where 'futures' are sold," might be commended. Perhaps it ought to be four times as high.

real and personal property. In 1887 the city of Baltimore received from licenses for street-car companies $132,167.26.

POLL TAXES.

Poll taxes exist in most of the Southern and New England states and in some of the other states. Poll taxes are unworthy of a civilized nation in the nineteenth century. They are to be rejected, also, from purely economic grounds. In order not to be impossible of collection without great hardship, they must be so low as to yield little to the public treasury. Poll taxes are both state and local. In some states only state poll taxes are known, but in others both state and local poll taxes exist. This is the case in North Carolina. Charlotte, for example, levies a poll tax of $2.10 on each male between the ages of twenty-one and fifty years, and the state collects a poll tax on males between the same ages, which may not, however, exceed the state tax on $300. Other facts about poll taxes will be found in Part IV.

The right of suffrage is often made conditional on the payment of a poll tax, but this condition only gives rise to corruption. It is well known that in New England, before election, the political parties pay the poll taxes of delinquents, in order to secure their votes.[1]

The road tax is often of the nature of a poll tax. This is the case in Atlanta, Georgia, where, as already mentioned, it amounts to $3.50. Atlanta is the only place, so far as I know, where anything like a poll tax is strictly collected, and here it is done by compelling those who can not or will not pay the road duty in cash, to work for ten days on the high-

[1] The Pennsylvania legislature of 1887 passed an amendment to the constitution abolishing the payment of a poll tax as a prerequisite for voting. This amendment now goes to the next legislature.

ways. The undemocratic character of a high capitation tax like that, having no reference to the abilities of the taxpayers, is sufficiently obvious. Georgia has a state poll tax of $1.00, but it is not rigidly collected.

A competent and well-informed lawyer of Macon, Georgia, writes me as follows about the poll tax in his state:—

"There is no poll tax in Macon, other than the poll tax of $1.00 imposed by the state on all its citizens. It is not rigidly collected by the state tax officials in this county. If a man has no money, the tax cannot be collected, unless he earns wages. In the latter event (inasmuch as the state's lien for taxes is paramount to all exemptions) the daily, weekly, and monthly wages of the delinquent may be reached by process of garnishment served upon his employer. I have heard of but one county in the state where the poll taxes are thoroughly collected. It was done there by the method I have just mentioned. All the farmers and others who employed hands were garnished, and in that way the wages were reached.

"The only years in which a general collection is made of poll taxes are those in which elections are held under the local option laws. In these elections the liquor men who are able to draw upon the inexhaustible resources of the whiskey ring pay all the poll taxes of the negroes and pauper whites who will vote the 'wet' ticket. Payment of taxes is a condition precedent to voting. These elections have, therefore, brought into the treasury, in this way, large amounts of money which would otherwise never have been collected.

"There is, in addition to the state poll tax of $1.00, a street tax of $3.00, imposed by the municipality. This is per capita, and without reference to the individual's property. The poor people do not work it out. If a person has

no property he does not pay the tax, unless he does so with the object of retaining his municipal suffrage, which he would forfeit if he was in arrears for taxes.

"It frequently happens in municipal elections that the respective candidates furnish the money to such of their supporters as are tax delinquents, for the purpose of enabling them to vote."

A friend from Georgetown, Kentucky, equally competent to speak on taxation, writes me as follows about poll taxes in Kentucky: —

"The poll tax in many counties is quite heavy, but there is no way of enforcing payment, and there is always a very large list of citizens from whom it is never collected. The sheriff is, at the end of the year, credited by the county court with the number of polls in the 'delinquent list,' and that is the end of the matter. This list of delinquents is quite large, though it is impossible to say exactly how large in all the counties. In our county (Scott County) it has, for the last few years, included from something over one-third to considerably over one-half of the legal voters in the county. Scott County is very far above the average county in the state in point of wealth, etc., and I therefore have no hesitation in saying that, taking the state as a whole, the number of those who fail every year to pay their poll tax is much more than one-half the voters.

"There has been some talk in the legislature of making failure to pay poll tax a misdemeanor, but as yet there is no way of compelling payment by those who have no visible property. They are not made to work on the highways. The latter are maintained in most of the counties in the old-fashioned way — a supervisor calls out all the men in his district and makes them work the roads a certain number of days in the year. A few counties have a road tax and apply the pro-

ceeds to road purposes in the more modern way, but the bulk of the state is under the old system."

A prominent state official of Wisconsin writes me as follows regarding the poll tax in this commonwealth: —

"Yes, we have a poll tax, d—— it. I think if it were or could be collected, I would favor a poll tax, but only those who pay other taxes are now compelled to pay on their polls. You see how that is: when I go to pay my other tax, they add on the $1.00 for my poll; but all who have no personal property or real estate tax escape poll taxes, as they do not, as a matter of course, go to the tax-gatherer's office, and the collector never goes after or makes a list of them. Now the poll tax was intended to reach the very class it never touches, in order to reduce the burdens of those owning property; but in reality it doesn't gain a dollar from the untaxed, while it adds more burdens to those who already pay their full share, and for whom the tax was designed to be a relief."

SPECIAL ASSESSMENTS.

Special assessments on property benefited by local improvements are common in American cities. New streets are sometimes paid for entirely by those through whose property they pass, and sometimes the expense is divided.

In Baltimore, pavements are paid for by the property-owners and the city. The city pays one-third and the abutting property-owners on either side pay each one-third. Occasionally streets are paid for entirely by general taxes. This does not seem right. Although taxes are not payment for services rendered, it seems perfectly proper that those who receive a marked and special advantage should pay more than others for the improvements. Improvements of the nature of parks and avenues are often paid for, in part

at least, by those who derive a special pecuniary advantage from their proximity. This has recently happened in Baltimore in connection with the Mt. Royal Avenue extension. It is proposed that those who derive a special advantage from the contemplated small parks in New York City shall pay a special tax.[1]

OTHER SOURCES OF REVENUE.

"Conscience money" is a heading frequently seen in state and local financial reports, but generally for small sums. As probably nearly all readers understand, it is money sent without the name of the sender to the public treasury by some one who has defrauded the government by withholding money due, or otherwise, and who has been pricked by his conscience. Our federal government receives conscience money frequently, and occasionally sums of some importance. It is said that Würtemberg and England are the only other countries in which conscience money is a frequent item in the budgets. It has been remarked, however, that the legislation of other countries may not be of such a character as to lead so frequently to fraud.[2]

Public property and public works yield more considerable revenues in American states and cities than is ordinarily imagined. The reader will find in Part IV. as complete information on this point as I could gather. Here only a few illustrative facts will be presented.

South Carolina owns phosphate beds below the river bottoms, and from a royalty on the phosphates obtained from them she is able to defray over twenty per cent. of all her

[1] On this subject see Chapter XV., on "Taxation by Special Assessments," in Cooley's "Taxation."

[2] See Helferich, in Schönberg's "Handbuch der Politischen Oekonomie, 2d edition, Volume III., page 169.

expenses. A plan has even been proposed for working these beds by the state and defraying all expenses from the proceeds.

New York state has derived over $5,000,000 revenue from the state-owned salt-works of the Onondaga reservation.

Georgia derives $300,000 from the rental of the Atlanta & West Point Railroad. The total receipts for the year ending September 30, 1886, were $4,220,130.30. This sum includes $2,508,850 received from the sale of bonds, and applied to payment of state debt. The rental of a single railroad defrayed about seventeen per cent. of all the ordinary expenses of the state. During the same year the state received from the Bank of Rome, $18,197.61, and from dividends from stocks, $2,410.

The state of Illinois receives seven per cent. of the gross revenues of the Illinois Central Railroad as a special charter tax. This ought, however, to be regarded as a payment for a privilege, like the percentage of street-car receipts claimed by Baltimore, and not as a tax. It is, indeed, inadequate payment for what the road has received from the public. For the two years ending October 1, 1886, the receipts of the public treasury of Illinois amounted to $4,666,443.85, of which the Illinois Central Railroad paid $725,207.93, or over fifteen per cent.

Massachusetts has redeemed over one hundred acres of land now in the "Back Bay" district of Boston, which was formerly under water. The total net proceeds in cash value amounted to $4,275,644.73. This was the amount which accrued to the state after paying all expenses and making donations of land to Boston, to Trinity Church, to the Massachusetts Institute of Technology, to the Boston Society of

Natural History, and to the State Board of Education for the Normal Art School.[1]

Many of our states have money invested in bonds, on which they receive interest. Several of them own all their own bonds; others own their own state bonds, local bonds, federal bonds, railroad bonds, and the like.

States and cities have sinking funds, and moneys devoted to this fund are used for the purchase of bonds and other property to pay off debts at the expiration of a period, usually prescribed. States and cities also hold trust funds, the income of which is used for the purposes determined by the nature of the trust itself. In January, 1887, Massachusetts had property in the sinking fund valued at $18,964,412, and in trust funds, chiefly for educational purposes, bonds and notes valued at $3,307,910.27. A part of the trust funds consists of money deposited by the United States with Massachusetts in 1837, when the federal surplus was distributed among the states. Several of the states still hold the amount then received in trust for educational purposes.

New York state holds trust funds invested chiefly in bonds of various descriptions. The funds of New York state amounted to $8,706,488.52 on September 30, 1887, which sum yielded nearly $550,000 revenue. The revenues of the funds are used mainly for educational purposes. West Virginia has an educational fund which, like that of New York, cannot be abolished without a change in the state constitution.

One of the municipal public documents of Philadelphia is the annual report on trusts. The principal one is the Girard trust, now worth a good deal over ten millions of dollars. Philadelphia owns gas-works which figure in the budget of 1887 for receipts of nearly three millions of

[1] Auditor's Report, 1886, pages 365–6.

dollars. Richmond, Virginia, defrays a considerable por of her expenditures from the profits on gas-works.

New York City, like Baltimore, now receives an inc from a portion of gross revenues of street-car lines, and, not the people been plundered in a most shameful mar New York might probably now defray three-fourths of expenses from public property.

CHAPTER X.

THE TESTIMONY OF REASON.

STATES NOT INDEPENDENT IN MATTERS OF TAXATION.

WE must now turn from actual experience and ask whether there are any reasons in the nature of things which make experience what it is. It is not enough to show that a thing never has been done, to induce a rational man to desist from efforts to accomplish it, for we all know that brilliant success has often waited on him who refused to be convinced by a thousand failures. It is necessary to show that a thing cannot in all probability be done.

It should first be remembered in any treatment of the subject of taxation, that any single American commonwealth like Maryland is not an industrial unit, but simply a part of a larger whole — the United States. Even the United States in its economic affairs is not by any means entirely independent, but it must often have regard to proceedings of other governments if it would act wisely. Still, the United States, taken together as one country, may fairly be regarded as an industrial unit, and in matters of direct taxation it need not inquire very minutely into the industrial situation in foreign lands. A single state is in an essentially different position, and may be well-nigh ruined by a failure to take into consideration interstate relations.

RETURNS ON PROPERTY OF A HIGH DEGREE OF MOBILITY DEPENDENT ON GENERAL CONDITIONS.

There is a species of property which floats about from place to place with ease. We may say that property of this sort is endowed with a high degree of mobility. This is the case, for example, with money for investment in mortgages or other securities. Now, the remuneration for property of this sort is to a large extent independent of the laws of a single state like Maryland. If in our state it is oppressed, it will leave us for other regions, where it is more favorably treated. We may like this or not, but as men of sense we cannot wisely shut our eyes to the fact. It has ever been laid down as a maxim of taxation that only those things should be taxed which cannot leave us; and those who advocate this rule of action do not have in view the special interests of holders of such property, but the general welfare. I would not wish to be understood as advocating this maxim without any qualification, but it appears to me clear that the legislature should always keep in mind the distinction between property which can and property which cannot leave us.[1]

From the time of Turgot and Adam Smith to the present, political economists have not ceased to warn people to be careful not to drive capital abroad by taxing it, and they have often in their timidity, gone too far in this direction and at times indeed appear to have given too much heed to what amounted to little more than blustering threats on the

[1] "Never tax anything that would be of value to your state, that could and would run away, or that could and would come to you." Quoted from a pamphlet entitled "The Tax Question," by Enoch Ensley, of Memphis, Tennessee, 1873.

part of tax-dodgers. Nevertheless, no practical man can fail to move carefully in this matter. When those who do not like American institutions talk about taking their capital away from the United States, an amused smile of incredulity may be a sufficient reply. Where will they go? Where else will their capital be so well protected, and at the same time yield so large a net return after defraying the burden of taxation? When we are concerned, however, with a single state like Maryland, the case is essentially different. Capital of any high degree of mobility does, as a matter of fact, readily flow from state to state, and this interstate movement of floating capital was never so easy as it is to-day. Special companies have been formed to encourage this movement, and it is to-day often practically as easy through their assistance to invest money in a mortgage a thousand miles from one's home as in a mortgage on land in one's own country.

The normal returns on floating capital are then determined by general conditions in the United States, and over these we have comparatively little control. If our tax laws operate to depress the returns on floating capital far below what we may regard as their normal level, a portion, and a considerable portion, of our capital will leave us to our own detriment. The result will be that the farmer will find a poorer home market for his produce, on account of diminished wealth in the state, while his lands will fall in value, and the workingman will likewise suffer from fewer opportunities for profitable employment of his services. The money-lender will take his transportable commodity away from us, and instead of placing upon him a fair share of the public burdens, we will simply injure those who would borrow.

It is important to consider this well. A. is a young man

who wishes to acquire a home by savings from a not too generous income. Is he benefited by laws which make it difficult for him to borrow money with which to build a house or purchase a bit of land? If the money-lender were walled up within the boundaries of Maryland, it might be that this young man could regard with indifference projects for taxing the desired loan; but as he is only one of many possible borrowers throughout the length and breadth of the land, I do not see how he can escape loss by any abnormal burden placed upon the lender of capital. Mortgages are exempt from taxation in the state of Maryland. Does any one think that money could be had on mortgages in the city of Baltimore, for five per cent., if they were taxed as other property is taxed, namely, $1.78¾ on $100?[1] Turning this matter over in my mind, and looking at it from every possible standpoint, I fail to see how this exemption of mortgages is a special favor conferred on money-lenders. It is an exemption which makes the flow of capital to us easier, and the benefits are thus diffused throughout the community.

I am aware that this is a point which has been much discussed among the farmers of Maryland, and that many of them have criticised the exemption with a good deal of severity. I protest that no one has a friendlier feeling for the farmers of Maryland than I; nor do I need to be told anything about the burdens which rest upon the farmer, and the hardships which he must undergo. No one has a more active sympathy with the trials of the farmer, for I know all about them by personal experience, having lived the first eighteen years of my life on a farm, and having had for a time its exclusive management. Nevertheless, I cannot see how the farmer is to gain anything by special taxes on mort-

[1] The rate for 1888 is $2.07¾.

gages or floating capital. His desire to see the burdens of government distributed among the people in proportion to their ability to bear them, is just, but he must obtain his end by other means.

Money invested in mortgages, as well as other capital of a high degree of mobility, is taxable by law in most states of the American Union, but as a matter of fact it nearly everywhere escapes taxation. Now the returns on this kind of capital, especially in the form of interest, are adjusted to this practical exemption. This is seen in the fact that it has actually happened that the tax rate has in places exceeded the current rate of interest,[1] which could not happen if a man expected to be taxed. Otherwise, he would be planning to pay for the privilege of lending some one money. Nearly everywhere the rate of interest on good securities in

[1] A striking case of oppression narrated in the second "Report of the New York Tax Commission" in these words serves as an illustration of this fact: "The following curious instance of hardship in taxing mortgages actually occurred in one of the counties of central New York within the last six years. A worthy farmer and his wife finding themselves becoming incapacitated through age from taking personal care of their little farm, sold it for $5000, and allowed the purchase money to remain in the form of a mortgage, with the expectation of living on the interest paid annually by the purchaser from the profits of the farm. The town being very small, the fact of the sale and the consideration became known to every one, and assessors were compelled, in opposition to their usual practice, to tax the old man to the full amount of the mortgage, as personal property. But the year in which this was done happened to be a year in which the town, anxious to avoid a draft of men for the army, to which the old man was not liable, put up the rate of taxation to more than the legal rate of interest, in order to provide sufficient money to purchase recruits. The result was that the poor old man and his wife found that not only was their income from the mortgage swept away by the tax-collector, but they were even obliged to go out for day's work, in order to pay a balance of taxation and provide

American cities is so low and the tax rate so high that if a man paid the taxes legally due from him, his income would be far lower in proportion to his means than those who make other investments. This fact in itself discloses the actual practice with sufficient plainness.[1]

A man turns over various kinds of investments in his mind and balances them against one another in this fashion: "Real estate yields so much gross; taxes, repairs, and insurance deducted, I have so much net. Money placed out on interest will yield, let us say, five per cent., but it is practically exempt from taxation. I will, therefore, lend the money to A. which he desires." Is it not sufficiently evident that the rate of interest on such investments would necessarily rise if they were taxed?

The vital practical point in the discussion is this: the

means of support, and this, too, while the identical farm for which the mortgage was given was taxed at one-fifth its true value, and other investments of other citizens of an invisible and intangible character undoubtedly escaped taxation altogether. And this we call equality in taxation!" The report from which this is taken appeared in 1872. The event to which reference is made evidently occurred about 1865.

[1] The rate of taxation in the city of Nashville, Tenn., for all purposes, state and local, was about three per cent. on the value of property fifteen years ago, and it was at that time about four and one-half per cent. in Memphis, as I learn from the pamphlet on "The Tax Question," by Mr. Enoch Ensley, to which reference has already been made. The rate of taxation in New York City was $2.16 on the $100 of valuation in 1887. Mayor Hewitt expressed the belief in a recent message that it would be $2.18 in 1888. The rate of taxation for state and local purposes in Baltimore will be $2.07½ on the $100 of valuation in 1888. How could money be borrowed for five per cent. were loans taxed in these cities? Or even for six per cent.? It is to be further noticed that the rate of interest in great cities does not fluctuate with the rate of taxation, which it would show some tendency to do, were loans actually taxed.

benefits of a practical exemption of any sort of floating capital are fully diffused among the people only when it is legal. A lender in Baltimore is content with good five per cent. mortgages, because he knows that they cannot be taxed. If they were legally taxable as in other states, he would want six where he now takes five. He would say: "Probably the mortgage will not be taxed, but it is uncertain, and I must have something for the risk I run." Often, indeed, the risk is transferred to the borrower by making him agree to pay any taxes. The case with other floating, invisible capital, difficult of discovery, is similar. So long as it is taxable by law, no special inducement is offered to it to come to Maryland, and we nevertheless get little from the tax. If, however, we proclaim to the world that certain sorts of floating capital are in Maryland not taxable, but that their exemption is a part of our tax system, we derive the greatest possible amount of gain from an exemption of that which is for the most part after all beyond our control, and the benefits of the exemption are thus most widely diffused. We remove all premium on risk and tell all owners of capital, of the specified kinds, that without perjury or dishonesty of any kind, they may make investments in the state of Maryland. The competition among lenders must thereby be increased, and the rate of interest must fall correspondingly. We are benefited thereby because we need this species of property.[1]

The experience of a village in another state, which came within my knowledge, illustrates the extent to which the rate

[1] I discuss a concrete case, but what is said will be found to be generally applicable to American states and cities. Foreign countries like England and France are obviously differently situated. Property is more readily transferred from state to state of the American Union than from one country to another. It has been found in Austria that a

of interest on mortgages is beyond the control of any local authorities. The rate of interest was regulated by law, and the rate was high enough for money lent on good security, provided it was not taxed, and as a rule in the state, it was not. It so happened, however, that honest and intelligent assessors succeeded in finding personalty in this village, but the result was that it became difficult to borrow money, and the comparatively poor who wanted loans were more injured than the comparatively rich who had money to lend.

Our experience in Baltimore is instructive. Our present diligent tax-collector, on entering office, very properly felt that his oath amounted to something, and that he must enforce the laws as he found them. He consequently began a vigorous search for personal property, to the apparent consternation of many worthy citizens. It was discovered, however, that the returns on capital of that sort, which I have described as capital of a high degree of mobility, had been adjusted to its practical immunity from taxation, and that they were so small that the tax rate was felt as an excessive load for tax-payers to carry. Dissatisfaction with what was regarded as practical injustice was so pronounced that it became necessary to announce to tax-payers that those who made honest and voluntary returns of personal property of this description, would be dealt with fairly; in other words, they would be taxed only on part of their property, the law to the contrary notwithstanding.

This was the best a practical man could do under our tax laws. Some money put out at interest or invested in taxable

small tax on loans has not affected the rate of interest although it was collected. Roscher tells of similar experience of other countries. The federal government could more advantageously tax money at interest and capital of a high degree of mobility than the states, because capital will not readily leave the United States in great quantities.

bonds, yielded four per cent., or less, which made the tax rate of $1.78¾ nearly equal to an income tax of forty-five per cent. — truly exorbitant!

In the "Majority Report of the Maryland Tax Commission," one of its members relates the experience of a conscientious client who wished the valuation of his personalty increased from $5000 to $20,000. When told that his book accounts were also taxable, he declared that he could not stand that, owing to the severity of competition with those not thus taxed; and he did not go before the Appeal Tax Court until he received assurance that inquiry would not be made into his book accounts, in consideration of his conscientious and voluntary discharge of his duty as a citizen. Every one will feel instinctively that it was only fair and proper for the Appeal Tax Court to act as it did in this manner; that any other course would have been mean as well as disadvantageous to the city, in refusing to take what they could get. Yet it was not law. This is the point. Do we want laws which we cannot enforce, and which, by the necessities of the case, educate men to regard an oath, calling upon the Almighty to witness its sanctity, as something light and trivial?

INTERFERENCE OF THE FEDERAL GOVERNMENT IN MATTERS CONCERNING LOCAL TAXATION.

In the second place, we are not independent in matters of taxation in Maryland, because we are subject to federal laws, over which we, as a state, have no control. Federal evidences of indebtedness are not taxable by our states, and under our existing system it is impossible to avoid their use for purposes of evading taxation; and the facility with which they can be used for these purposes is an important element in determining their market value. It is difficult to see how

the federal government can tolerate local taxation of its evidences of indebtedness; for if it does so, a hostile state might destroy their value by taxation, and thus by indirect methods successfully dispute its sovereignty. At any rate, we have in this matter a fact not likely to be changed, and any rational system of taxation for an American commonwealth will be framed with due reference to federal laws and institutions; and its nature will be such that the exemption of federal property from taxation will not enable the cunning and unscrupulous to escape their fair share of state taxation.[1]

Federal interference is, however, not confined to exemption from taxation of federal bonds and federal property, like post-offices, custom houses, and court houses. Imported commodities cannot be taxed, and this, with the federal internal revenue taxes, makes taxes on commodities a practical impossibility in our states. The constitutional provisions that the state must not interfere with interstate commerce, and that contracts are inviolable, and the decision that charters of private corporations are contracts, have been made an excuse for an invasion of state sovereignty in matters of taxation, which the most ardent federalist of the last century could have hardly desired, or, at any rate, contemplated as a possibility. Drummers or agents of commercial houses located outside of a state in which they solicit trade, cannot be taxed, because, by a recent decision of the Supreme Court, that is interfering with interstate commerce. It may

[1] In this country an interstate tax commission has been suggested, in order to bring about harmonious tax laws in all our states, and to prevent both double taxation and escape from taxation. Elsewhere international tax legislation has been proposed for the same purpose. The prospect of co-operation between states and countries in matters of taxation is remote, for their interests are too diverse. It is better to adjust our schemes of taxation to the facts which exist at present.

thus happen that residents of a state will be placed at a disadvantage as compared with outsiders. Care is necessary in this respect. Prudence must be exercised in taxation of railroads, or it will be found that laws taxing them will be nullified by a federal court, on the ground that it involves interference with interstate commerce. It is well for a state in this matter to follow, as nearly as may be, the laws of a state like Wisconsin, which has had experience in the taxing of railroads, and which has finally framed its laws in such a manner that they cannot be successfully attacked in the courts by "tax-fighters."

Corporate charter exemptions from taxation are held by the Supreme Court to be of the nature of an inviolable contract, and, consequently, forever irrevocable. Thus one legislature can forever part with a sovereign power, and corporations are granted favors which cannot be shown to natural persons, both because a natural person dies and a privilege would not pass to his heirs, and because a natural person is not called into being by a legislative act.

The interference of federal courts in matters of state and local taxation, added to the interference of state courts on account of the endless minutiæ introduced into our written state constitutions, produces a confusion and uncertainty most damaging, and leads to ceaseless and wasteful litigation. It is only in the United States that "tax fighting" has become a regular branch of the legal profession.

When one studies state and local taxation, it is difficult not to become a strict constructionist of the federal constitution, just as when one studies other subjects, like banking, bankruptcy, divorce, and marriage, one sees the importance of increased federal powers. The truth is, modern industrial developments have produced new conditions with which our written constitutions do not correspond, and with which

they are likely to harmonize less and less every year. Yet it is said that it is now practically impossible ever to change our federal constitution.[1]

A federal decision which interferes with the otherwise tolerably satisfactory workings of our Maryland system of taxing stocks and bonds of corporations, and which leads to a practical and unjustifiable immunity of large amounts of wealth from taxation, is given in this quotation from the "Majority Report of the Maryland Tax Committee":—

"We appreciate the force of all that has been said about the difficulty of enforcing a tax upon certain classes of personal property. We believe that the situation would be very much improved in that respect if all the states would adopt the Maryland system of collecting taxes on stocks and bonds through the corporations which issue them, and would not

[1] So Alexander Johnston in the *Old Princeton Review* in an article on a proposal to call a Federal Constitutional Convention. This was not at all the intention of our forefathers who established this government. The "Report of the Proceedings and Debates of the Virginia State Convention of 1829–30," with the constitution of Virginia, which was drawn up by that body, lies before me. It was said to have been a remarkable convention. Chief Justice Marshall and two ex-Presidents, Madison and Monroe, were members. The motto on the title page is this sentence from the Virginia Bill of Rights: "No free government or the blessing of liberty can be preserved to any people but by a firm adherence to justice, moderation, temperance, frugality, and virtue, and by *frequent recurrence to fundamental* principles." The italics are in the motto on the title page, and this motto was retained as an article in the new constitution. All early writers contemplate a frequent recurrence to fundamental principles for the United States, but the constitution has been so drawn that a small minority of the people can keep the constitution as it is, and thereby rule a large majority. It is curious to notice the growing aversion of monopolists, and those who under existing constitutions have received special favors, to any recurrence to fundamental principles.

attempt to tax such property in the hands of the individual holder, and especially if the states would abandon the effort to tax such securities in non-resident corporations. Unfortunately the Supreme Court of the United States has held that the state in which a corporation is located cannot collect from it, out of the interest due to a non-resident holder of its bonds, a tax upon such bonds, because the situs of such property follows the person of its owner." [1]

But however this may be, the fact of federal interference in state and local affairs must not be overlooked in making laws for state and local taxation.

OUR EXISTING METHODS OF TAXATION NEEDLESSLY DEMORALIZING.

We must next remark that our system of taxation carries with it, as an essential part of its very nature, temptations which, to the ordinary man, are irresistible, and thus needlessly demoralizing. A wise people will always endeavor to frame institutions so in accord with the facts of human nature that the temptation to lawlessness may be reduced to its lowest terms. "Lead us not into temptation" is as wise a prayer for a state or a nation as for an individual. Experience shows that the ordinary man wants to do what is right in the main, and to discharge his duties to the commonwealth, but the ordinary man is not a moral hero. He will resist temptation to a certain point, but when the pressure becomes too strong he yields. To deny this is to assert that environment has no influence on character, and to claim that it makes no difference where a child is brought up, among thieves and prostitutes in the slums of a city, or among wholesome surroundings in an upright and Christian

[1] See R. R. *v.* Pennsylvania, 15 Wall. 323; Kirtland *v.* Hotchkiss, 100 U. S. 491.

family! an absurdity which needs no refutation. Now, practical men, in framing laws and political institutions, will act with due reference to the facts of human nature.

There is a tendency on the part of the unthinking to draw the conclusion, from the imperfections of human nature, that it makes no difference what laws and institutions we have until men are improved. This is a mistake. The imperfections of man set a limit, beyond which improvement cannot go, but we can always legitimately ask the question, Have we yet reached that limit? The old state banking system, with frequent failures and depreciated bank notes of local circulation, and all its many other iniquities and inconveniences, doubtless seemed to our fathers fifty years ago as due to the imperfections of individuals; but we now perceive, that taking men as we find them, it is possible to construct a banking system devoid of the most glaring of these evils. Thus we have likewise witnessed many improvements in administrative methods, based simply on a proper appreciation of the facts of existing human nature. Accounts in state, municipal, and federal government are more and more being so kept as to remove temptation to wrong-doing, by rendering it difficult, and only possible by conspiracy on the part of several; and the results have been so satisfactory that, in view of recent exposures of embezzlement, fraud, and inefficiency in private business concerns, a prominent newspaper was moved to ask the question, whether it was desirable, after all, to introduce business methods into politics; whether political methods might not be better introduced into private business.

This couplet is frequently repeated: —

> "Whoever hopes a faultless tax to see,
> Hopes what ne'er was, is not, and ne'er shall be."

This is true, but it is unwarrantable to draw from this the conclusion that existing methods of taxation cannot be improved. Between the practical workings of various systems of taxation in various lands, and in various parts of the same land, we observe a wide diversity, and a still wider diversity between various taxes in a given system. Some work well, comparatively speaking, appeal to the intuitive feelings of justice in the community, allow business to proceed without obstruction in its natural channels, grow in favor with age, and are attended in their administration with little demoralization, imposing upon tax-payers and tax officials no undue temptation to fraud and perjury. Other taxes, on the other hand, are a constant source of irritation and annoyance, are attended with growing demoralization and perjury, obstruct business, foster monopolies, work injustice as between tax-payers, placing upon one the burden of another and failing to adjust burdens so as to fall upon each with equal weight, and finally some taxes grow in disfavor the longer they last. It is our part, then, while discarding Utopian ideas of absolute perfection, to search diligently for the relatively best in taxation.

It is further a matter of fact that many of the problems which now vex us have elsewhere already found their solution. Baron von Reitzenstein, a man of large practical experience, and a recognized authority on taxation, in reviewing in the "*Archiv für das Finanzwesen*," the report of the Baltimore Tax Commission, made in 1886, uses these words: "The nature of these proposals discloses a condition of things which, in comparison with what exists in most European states, must be called primitive. They are nearly all concerned with questions of policy and of administrative methods, which, among us, long ago, found their solution. Especially does the provision of the constitution of Mary-

land, which prescribes that the only direct tax shall be one on the value of all real and personal property, appear as an antiquated constitutional enactment. It shows that in this matter, Maryland has lagged far behind the general economic development."

Our present system, then, must be rejected as not answering the requirements of practical morality. It is thought necessary at every step to re-enforce it with oaths of citizens and administrative officers, and there is nothing which so blunts the conscience as the frequent oaths in our political life. They are rattled off at lightning speed by clerks, are taken as a matter of form, and finally lose all sanctity. Can a religious person, who thinks the nation under Divine government, regard this incessant and careless appeal to Deity with indifference? Can he expect that we will continue to be blessed with divine favor, unless we amend our conduct in this respect?

There can scarcely be a doubt in the mind of any, I think, in regard to actual facts with respect to oaths. Hon. David A. Wells uses the following language on the subject, in his report as special tax commissioner to the legislature of New York: "Oaths as a matter of restraint or as a guarantee of truth in respect to official statements have, in a great measure, ceased to be effectual; or, in other words, perjury, direct or constructive, has become so common as to almost cease to occasion notice." This is stated to be the "all but unanimous testimony of officials who have of late had extensive experience in the administration of both the national and state revenue laws." It is not difficult to find confirmation of this view.

The truth-telling habit and truth-loving spirit may be said to characterize the American people in a high degree, but it is doubtful if anywhere an official oath signifies less. It is

because it is so common. In my opinion, oaths should be resorted to rarely, and then should be surrounded with such solemnity in the methods of administration as to impress upon all their true nature. While a resident of Germany I was much struck with the fact that oaths were often refused when it was supposed that the temptation to perjury was too strong, and that in general they were less common there. I believe the effects most salutary. However, I do not profess to speak on this matter "as one having authority." This is a subject which ought to receive careful attention from some experienced and philosophical jurisprudent.

Our system of taxation tends to bring the morality of the community down to the level of its most unscrupulous members, and that in this way: No device known to man can enable the assessor to get at certain classes of personal property in the hands of the cunning and unscrupulous. They make false returns, and their neighbors know it; the entire community, in fact, knows that men of large means are not bearing their fair share of taxation; people feel that it is an iniquity to place upon them burdens which properly belong to others, and so they, too, make inadequate returns, and still the voice of conscience with meaningless quibbles. The remarks of the West Virginia Tax Commission on this point state the case fairly as it presents itself to the average man: "All persons will understand that they must compensate the men who are employed by them to administer the affairs of government, and every fair-minded man is very willing to contribute his proper share. But it is natural that a citizen should be unwilling to pay an amount greater than his just proportion; a man is naturally discontented when he feels that he is paying a tax which ought to be paid by somebody else; we are reasonably aggrieved when we are forced to carry that part of a load which belongs prop-

erly to our neighbors." The truth is, the ordinary man simply declares that he will not do it, and thus it is that the tax-dodging which begins with the unscrupulous few, extends and becomes general.

Another aspect of this case is presented by the facts of competition in business. Those who escape the payment of a fair share of business taxes have an advantage in business which enables them to undersell their competitors, and when a business man sees ruin staring him in the face because his dishonest neighbor makes false returns and pays taxes on only a fractional part of his property, the temptation to do likewise is almost irresistible, except for moral heroes, and moral heroism cannot be made the basis of governmental action. This fact of sharp competition must be kept in mind, and in Maryland we must remember that the competition of people outside of Maryland, especially of business men of New York and Philadelphia, is keenly felt. We must be careful not to handicap our own people in the race of competition.

PART III.

TAXATION AS IT SHOULD BE.

CHAPTER I.

THE PRINCIPLES ON WHICH A NEW SYSTEM OF TAXATION SHOULD BE BASED.

ONE who would frame a rational system of taxation will endeavor to find taxes which cannot well be dodged, and will avoid a tax like our personal property tax, which is regressive, increasing the relative burden as strength to bear it decreases.

What shall be proposed in view of all these circumstances? We want taxes which have stood the test of experience, and which are in accord with the spirit of the times. Taxes of this sort must be sustained by obvious principles of common sense, and must bear upon all in such manner as to require, as nearly as may be, equal sacrifice from each. Equality of sacrifice is the aim which we ought to keep before us in the construction of a system of taxation.

This principle is fundamental, and as the nature of taxation is generally so little understood, I will quote at some length the lucid remarks of John Stuart Mill on this subject:[1] —

"For what reason ought equality to be the rule in the matter of taxation? For the reason that it ought to be so in all affairs of government. As a government ought to make no distinction of persons or classes in the strength of their claims on it, whatever sacrifices it requires from them should be made to bear as nearly as possible, with the same

[1] "Principles of Political Economy," by J. S. Mill, Book V., Chapter II., section 2.

pressure upon all, which, it must be observed, is the mode by which least sacrifice is occasioned on the whole. If any one bears less than his fair share of the burden, some other person must suffer more than his share, and the alleviation to the one is not, on the average, so great a good to him as the increased pressure upon the other is an evil. Equality of taxation, therefore, as a maxim of politics, means equality of sacrifice. It means apportioning the contribution of each person towards the expenses of government, so that he shall feel neither more nor less inconvenience from his share of the payment than every other person experiences from his. This standard, like other standards of perfection, cannot be completely realized, but the first object in every practical discussion should be to know what perfection is.

"There are persons, however, who are not content with the general principles of justice as a basis to ground a rule of finance upon, but must have something, as they think, more specifically appropriate to the subject. What best pleases them is, to regard the taxes paid by each member of the community as an equivalent for value received, in the shape of service to himself; and they prefer to rest the justice of making each contribute in proportion to his means, upon the ground that he who has twice as much property to be protected receives, on an accurate calculation, twice as much protection, and ought, on the principle of bargain and sale, to pay twice as much for it. Since, however, the assumption that government exists solely for the protection of property is not one to be deliberately adhered to, some consistent adherents of the *quid pro quo* principle go on to observe that protection being required for person as well as for property, and everybody's person receiving the same amount of protection, a poll tax of a fixed sum per head is a proper equivalent for this part of the benefits of govern-

ment, while the remaining part, protection to property, should be paid for in proportion to property. There is in this adjustment a false air of nice adaptation, very acceptable to some minds. But, in the first place, it is not admissible that the protection of persons and that of property are the sole purposes of government. The ends of government are as comprehensive as those of the social union. They consist of all the good and all the immunity from evil, which the existence of government can be made either directly or indirectly to bestow. In the second place, the practice of setting definite values on things essentially indefinite, and making these a ground of practical conclusions, is peculiarly fertile in false views of social questions. It cannot be admitted, that to be protected in the ownership of ten times as much property, is to be ten times as much protected. Neither can it be truly said that the protection of £1000 costs the state ten times as much as that of £100 a year, rather than twice as much or exactly as much. The same judges, soldiers, sailors, who protect the one protect the other; and the larger income does not necessarily, though it may sometimes, require even more policemen. Whether the labor and expense of the protection, or the feelings of the protected person, or any other definite thing, be made the standard, there is no such proportion as the one supposed, nor any other definable proportion. If we wanted to estimate the degrees of benefit which different persons derive from the protection of government, we should have to consider who would suffer most if that protection was withdrawn; to which question, if any answer could be made, it must be, that those would suffer most who were weakest in mind and body, either by nature or by position. Indeed, such persons would almost infallibly be slaves. If there were any justice, therefore, in the theory of justice now

under consideration, those who are least capable of helping or defending themselves, being those to whom the protection of the government is the most indispensable, ought to pay the greatest share of its price; the reverse of the true idea of distributive justice, which consists not in imitating but in redressing the inequalities of nature. Government must be regarded as so pre-eminently a concern of all, that to determine who are the most interested in it is of no real importance. If a person or class of persons receive so small a share of the benefit as makes it necessary to raise the question, there is something else than taxation which is amiss, and the thing to be done is to remedy the defect, instead of recognizing it and making it a ground for demanding less taxes. As in a case of voluntary subscriptions for a purpose in which all are interested, all are thought to have done their part fairly when each has contributed according to his means, that is, has made an equal sacrifice for the common object; in like manner, should this be the principle of compulsory contributions; and it is superfluous to look for a more ingenious or recondite ground to rest the principle upon."

It may be said, and truthfully, that it is difficult to tell exactly what equality of sacrifice means. It is a subjective idea, but we can keep before us as an ideal, equality of sacrifice, and approximate to it as nearly as may be. Our notions of justice change, but at each moment we should strive to attain justice, using such lights as we have. Fair price and fair rents are subjective ideas, and yet science, law, and theology have dealt with these ideas. Irish land courts to-day fix "fair rents." Fairness has reference to needs, to customs and traditions, and to all the thousand and one circumstances of time and place. It is based on the maxim "live and let live." Equality of sacrifice has reference to

legitimate needs of various members and classes of society, and all that can be asked of practical legislators is, that they should use such moral and intellectual perceptions as they have.

A second established canon of taxation is, that taxation should be certain in its amount, in the time of payment, and in the manner of payment. Any uncertainty in these particulars aggravates the inevitable evils of taxation, and offers opportunity for oppression and favoritism on the one hand, for corruption on the other. Nothing should without good reason be left to the discretion of the tax-assessors or tax-gatherers, as the temptation to misuse of power is excessive.[1]

A third canon of taxation prescribes the convenience of the tax-payers as a matter of cardinal importance. The burdens of taxation are thus really lightened. One of the strongest of all practical arguments in favor of indirect taxation is, that the tax-payer is enabled to pay his taxes in small sums from time to time in his purchase of commodities at his convenience. Direct taxation is so far preferable to indirect taxation when considered from the standpoint of justice and the public weal, that it should, so far as public opinion and public morality will warrant, be substituted for it. Direct taxation should therefore be so contrived as to incorporate, as far as practicable, the peculiar advantages of

[1] That the Kentucky system vests the sheriffs of the counties with almost unlimited power, is one of its defects. It allows sheriffs to use their discretion in returning persons as delinquent in the matter of the poll tax, the chief source of county revenue, and also gives them authority to delay the collection of taxes, if they think there is reason therefor. By dealing gently with political friends, and severely with opponents, and by other devices, an unscrupulous sheriff of a Kentucky county could become almost a dictator in his own county.

indirect taxation. Sufficient attention has never been given to this topic. Taxes on landlords should be collected at a time when they usually receive their rents, if there is any local custom in this respect. Taxes on farmers or planters ought to be made payable when they are accustomed to receive their annual cash returns on their produce. People whose income comes in gradually by the week or month will find it much easier to meet their obligations to the public treasury, if allowed to pay their taxes in quarterly instalments.

The last of the classical four canons of taxation concerns the economy of administration, and prescribes that taxes should take out and keep out of the pockets of the people as little as possible over and above what goes into the public treasury. Simple as are these four canons of taxation, they have always been violated in the past in one or more particulars, and the violation has involved an injury to the public weal not easily calculable.

As another fundamental principle I would lay down this, that as few things as possible should be taxed, and that in the selection of objects for taxation great care should be taken to reduce interference with business and professional pursuits to a minimum. It is because they interfere with business, injure the small man in making a greater capital necessary to engage in business, and in raising profits on business conducted on a vast scale at the expense of more modest establishments, that indirect taxes foster monopolies and are so injurious to the masses. It was by their means that the monopoly in the manufacture of matches was built up in the United States, and that the great bulk of the business of manufacturing tobacco for consumption was concentrated in a few hands. It is further due to indirect taxes that it is difficult to import commodities from abroad,

except in large quantities, and that this sort of business is also concentrated so much as it is.

To tax as few things as possible must not be understood to mean that a single tax like one on incomes or on land-values is desirable. Another principle of taxation is that every one not a pauper should in some way contribute to the expenses of government. This may be called the universality of taxation. When it is said as few things as possible should be taxed, it means that when there is an opportunity to exempt any commodity or any species of property from taxation without violating any other principle of taxation, it is a great gain to do so. It has been found, for example, that apart from any considerations respecting the desirability of protectionism, revenues from imported commodities can as well and as fairly be raised on a dozen articles as on a hundred dozen. This simplifies administration wonderfully, and reduces the interference of government in private affairs in a most desirable manner.

The effects of taxation on industry must be carefully considered, for current industry is the source of taxes. If current industry is injured materially by taxation, the impoverishment of the people will be the result. Suppose all taxes should be removed from land and placed on improvements. It would enable people to hold land indefinitely for speculative purposes and would retard improvements. Suppose, now, all taxes removed from improvements, and placed on unimproved land. It would certainly stimulate industry, even if it is not desirable to adopt this measure on other accounts.

The movements of property and the principles underlying them must be understood by the tax legislator. This is closely connected with what precedes. A street-car projector visited a neighboring city of some eighty thousand

inhabitants, obtained a street-car franchise which has proved a bonanza, and when the municipal council proposed certain conditions of the grant, he feigned anger, and said, "We will go elsewhere and invest our money, if we are hampered by such conditions." Of course he lied; but the council understood so little about the nature of the business committed to them that they were bulldozed — to use a Southern phrase for this Southern council. They should have known that there are few valuable street-car franchises, that one is valuable only in a city, that these franchises are eagerly sought, and that if duly advertised, they can be sold for a handsome percentage of gross revenues, to the relief of tax-payers. Last winter the railroads of Maryland actually resisted the proposals of the Tax Commission to compel them to pay as large an amount of taxes in proportion to their property as private individuals, on the ground that they would thereby be driven from the state! Their capital is fixed and specialized, and if it should be taxed so that it would yield only two per cent., that would still be better than nothing. Railroads may try to frighten a community, but they cannot run away. Of course this is no reason why they should pay more taxes than justice requires; it is a reason why the Maryland legislature should not have allowed itself to be bulldozed.

One tax ought not to be considered by itself, but all the taxes, our federal, state, county, and local taxes, must be considered as forming one system of taxation, and the aim of the legislature should be so to adjust the burdens of taxation that each one may pay a fair share of all the taxes to which he is liable. Federal taxes, for example, bear with undue severity on the poorer and middle classes, and as we are American citizens as well as citizens of our various commonwealths, and as states are not independent in matters of

taxation, it is but fair that state and local taxes should aim to lighten the burdens of the poorer and the middle classes somewhat, as compared with the wealthier classes. This is ample justification of an exemption of $600 from an income tax, or an exemption of a certain amount of personal property, as for example the exemption of $1000 worth of personal property, as in the new Tennessee tax laws, dated March 26, 1887.

It is not extremely difficult to frame a system of taxation for American states and their cities, and the other political units into which they are subdivided, if the various principles which have been elaborated be kept in mind.

CHAPTER II.

TAXATION OF REAL ESTATE.

THE basis of every system of taxation must be the taxation of real estate, and that for several obvious reasons: First, in all ages past, real estate has been the chief source of wealth, and great fortunes and special privileges have been derived from its possession. The foundation of an aristocratic class has ever been large landed possessions. Land and its improvements have then been the chief part of all historical systems of taxation, because, until a comparatively recent period, there has been little else to tax.[1]

The taxation of land has, then, become part and parcel of the legal and economic traditions of all modern nations, and we have adjusted ourselves to this fact.

It has been said by a French writer, with whom the founders of this republic were not entirely unfamiliar — Canard, I mean — that "every old tax is a good tax, and every new tax is a bad one." The kernel of truth in this highly exaggerated principle will be found specially applicable to the taxation of land.

When the tax on the value of land is liable to compara-

[1] "During the greater part of the world's history the rent of land has been the chief source of saving. A good deal is saved from rent in England now, and in the rest of the world probably more is saved from it than from profits on capital." — *Marshall's Economics of Industry, page* 39.

tively slight variation, and is something which can be calculated upon as a fixed and unalterable fact, it partakes of the nature of a charge upon the land, and to this extent it may be said to amount simply to partial public ownership. A farmer owns, let us say, one hundred acres of ground purchased for $10,000, but a mortgage for $5000 rests on it because he was able to pay only one-half of the purchase-money. He feels the burden of taxation and groans under it, yet he should reflect that he would be no better off if his land had never been taxed, for in that case he would have been obliged to pay so much more for it, and instead of being $5000 in debt, he would owe perhaps $7000. I recently purchased a house, and in deciding how much I was willing to pay, I took into consideration the taxes. If the house had been exempt from taxation, I would have been asked more for it, and would have been willing to give proportionately more. How, then, can I say that I am really bearing any burden at all? I simply pay the public annually for its claim on my property, and if this claim should be released, it would be equivalent to a present to me. Of course, if the rate of taxation is raised, it amounts to this, that the claim on my property is raised and the value of the part owned by the public increases. The more invariable and permanent taxes are, the larger the extent to which the above principle can be applied.[1]

Other forms of wealth, which we call personal, have increased very rapidly during the past fifty years, but real estate constitutes so considerable a portion of all property that it is out of question to think of framing a tax system without making the land tax the basis of it all. The farmer must remember that his real estate alone is not involved,

[1] This is applicable to the land itself, but only to a less extent to the improvements on the land.

but also city real estate, which is increasing in value with such enormous rapidity, and making so many rich without labor.

Apart from this, land is visible, easily valued, and permanent in its location, and these qualities render it specially suitable for taxation. The following reasons have also been given for a tax on real estate, more particularly on land: Land derives an increased value from public security and from public works, and taxes are expended chiefly for these two purposes. This is so true with reference to public improvements that many of our growing cities have become embarrassed by expenditures made at the solicitation of landowners, particularly on occasion of "booms," and not, as popularly imagined, by the moneyless rabble. An instance recently occurred in Buffalo, where large expenditures were forced upon the people by real estate owners, and against the protest of at least some of the workingmen. A second reason is that the tax may be considered as a return to the community for the rights which it has surrendered in what was once common property.

All assessors should be by law especially directed to assess to the last dollar of its true value all real estate held for speculative purposes. There is a common and iniquitous practice, which I observed everywhere in my investigations, of undervaluing land held for a rise, and not used at all, or used only for some unnatural purpose, as when city lots are utilized as cow-pastures. Such land is occasionally actually valued as farm land. Thus men, without a stroke of work, and even while obstructing the natural growth of cities, see their property steadily increase in value, and this is solely due to the industry and thrift of their fellows. An aggravated case of this sort was reported to me as existing in Cleveland, and I was told that the assessed value of land was

increased in Savannah, Georgia, the moment it was improved. Much of the property in that city appears to be assessed at sixty per cent. of its actual selling value, but unimproved property is assessed for a smaller relative amount, and thus a premium put on speculation. One gentleman told me that four lots which had recently been sold for $4200 were assessed for only $1100, and that a lot next to one he had improved was assessed for only $1300, whereas it could not be bought for less than $3500. This gentleman had bought a lot for $900 of the city. Its valuation for taxation was shortly increased to $1500, and as soon as he put up a house on it, the valuation of the lot was raised to $1900. Such practices appear to discourage improvements, and instances are reported where farmers would improve farms and houses were it not that they fear an increased assessment. Taxation should be so administered as not to appear to be a penalty for improvements and a discouragement to the enterprising. To exempt improvements from taxation for a period of three years is not without precedent, and an exemption for a period of two or three years, say until the third tax levy from the beginning of the improvement, is a measure to be decidedly recommended.[1]

[1] A bill passed the recent legislature of Maryland for the extension of the boundaries of the city of Baltimore for two miles north, east, and west. The bill provides that the present low assessments of the "Belt" — the part it is proposed to include within the city — shall not be increased until the year 1900; also that the present tax rate, less than one-half that of the city, shall not be raised until that time. This provision seems to be unfair to the other tax-payers. It will give land-owners great opportunities. It may be said in its justification that it was necessary, in order to induce the people in the "Belt" to vote for annexation. A worse provision in the interest of the holders of large tracts of land is that even after 1900 the present rate of taxation "shall not be increased for city

purposes on any landed property within the said territory until avenues, streets, or alleys shall have been opened and constructed through the same, nor until there shall be upon every block of ground so to be formed, at least six buildings or storehouses ready for occupation." This gives owners of large estates opportunities to withhold the same from the market for speculative purposes as long as they please, and to grow wealthy without exertion. The practical man will say that city extension is important, and that this concession helps to secure it. Nevertheless, no permanent exemption from public burdens ever yet failed to produce harm, and it will not probably be different in this case. It would not have been so bad had any limit whatever, as 1910 or 1920, been set to exemption from common municipal burdens. This is not to be understood as an argument against annexation, because annexation from every standpoint is the lesser of the two evils, and in many respects the plan of annexation is worthy only of commendation.

CHAPTER III.

EXEMPTION OF REAL ESTATE FROM STATE TAXATION.

ADMINISTRATIVE REASONS FOR THIS EXEMPTION.

THE second feature of my scheme of taxation is the exemption of real estate from all state taxes, and for this exemption there are several cogent reasons, all based on actual experience of states and counties situated in this respect much as Maryland is.

We have in the first place to observe the difficulties which everywhere attend the assessment of real estate for state purposes. It cannot be assessed by a single board of assessors, for the area is too vast. Its assessment must be committed to local authorities, and sooner or later a rivalry breaks out between them in the undervaluation of real property, each locality striving to reduce its share of state taxes at the expense of other parts of the state. This struggle results in inequality and injustice, for real estate will be assessed twice, three times, or even four times as high in one part of the state as in another. Reference has been made to this matter in Ohio, and I know of no state in the Union where such inequalities do not exist. If the opinion of the other members of the Maryland Tax Commission — and they are better qualified to form one than I — is entirely correct, that these inequalities as between the various counties of Maryland are not wilful, the fruit of design and cupidity, the fact of the inequalities is not thereby altered; and there is no reason to suppose that we in Maryland can hope to escape perma

nently the experience of other states, if we follow their methods.

An attempt to remedy this evil has frequently been made, and the favorite device is a state board of equalization, with power to raise or lower the valuation of any county. Perhaps the best constructed board of equalization is found in New York, where three of its members are traveling state assessors, who endeavor by personal inspection to arrive at just conclusions, and to make each county pay its proper share of taxes. After all, at its best, a board of equalization is a bungling affair, and never performs its work satisfactorily. The best such boards can ever do is shrewd guess-work, as their task transcends human powers.

As a matter of fact, there is, however, comparatively little difficulty in the valuation of the various pieces of real property within a county, and there is no reason in the nature of things why all should not be assessed and taxed at an approximately uniform valuation; provided, you have the proper kind of administrative machinery, and new valuations at least as often as once in three years. The reason for the difference between county and state, in this respect, is obvious. The valuation of all real property within a county may be placed under one supervision, and by frequent meetings of the various assessors in the office of their chief, and comparison of methods and results, with the right of any tax-payer to be heard before the board of assessors, and with the right of appeal in certain cases, it is possible to assess each one at about the same rate, so that if one piece of property is assessed at fifty per cent. of its true value, all other property within the county may likewise be assessed at fifty per cent. of its true value. The only proper method is manifestly to assess property at its true selling value in open market, but not at forced sale; but if one piece of property is

assessed below its true value, all other property ought to be assessed below its true value in the same proportion, and so long as there is no state tax on realty, it makes comparatively little difference. If the assessed valuation is low, the rate must be correspondingly higher. On the other hand, if valuation is raised, the rate may be lowered, as actually happened in Baltimore in 1836, when the assessed valuation of all property was raised from $3,787,762 to $42,931,960, and the rate was lowered from $4.77½ per $100 to $0.66½.

All the immense and increasing difficulty which boards of equalization encounter is obviated by dropping the tax on real property for state purposes, and the burdens resting on realty are thereby lightened.[1]

A FURTHER REASON FOR SEPARATING THE SOURCES OF STATE REVENUE FROM THE SOURCES OF LOCAL REVENUE.

Another reason why it is well to separate the source of state revenue from the source of local revenue and reserve real estate for local purposes, is that the expenses of the local political units are increasing more rapidly than the expenses of central state governments. We hear much

[1] The above was written before I saw the "Report of the Illinois Revenue Commission," made in 1886. The commission, in speaking of undervaluations and consequent inequalities, says: "It did not seem possible to suggest any remedy for this system of undervaluations, unless some method of divorcing the collection of the state and local revenues could be devised. Without such a divorcement, no provision of the law, however stringent, and no penalties, which would be possible or desirable as sanctions of the law, would produce the desired result. Hence, this separation of the state and local taxes became a fundamental proposition with the commission, and the revenue system herewith submitted for consideration is constructed on that theory." The commission abandons the equalization of real property, and recommends, as I have done, the taxation of real estate for local purposes exclusively.

about centralization in these days, and when a few, often from unprincipled motives, start a cry of alarm like this, the mass of men join in it thoughtlessly, just as all the sheep of a flock jump over an imaginary obstruction because the bell-wether has been foolish enough to set the example.

The truth is, the functions of the local subdivisions of the states have for years increased more rapidly than those of the states, and this has naturally been accomplished by more rapid increase of local than state expenses. Paving and lighting of streets must be done better than formerly, charities are expanded, measures for the prevention of disease by boards of health with large powers, and other sanitary municipal provisions, are in their present magnitude comparatively new; public parks and other arrangements for recreation and beautification entail enormous expenditures, and the origin of our expensive free public school systems is within the memory of the living. Citizens do many things through the agency of municipal cooperation which they did formerly individually—each man for himself. The old German maxim was "Jederman fege vor seiner Thür"—"each one sweep before his own door." This antiquated and wasteful method of street cleaning has been nearly everywhere abandoned, and streets are cleaned by cities. The old custom is retained in Baltimore. Every one sweeps street and sidewalk in Baltimore to the middle of the street, and also waters the street in front of his own house. This often necessitates an extra servant, and requires probably twenty times the labor of modern methods. Sweeping snow from sidewalks is another example. This movement is not something merely national, but it is world-wide and inevitable. There is every reason for the careful observer of the drift of things to expect a continuance of

this movement.[1] To take a single item: public school expenditures are likely to increase enormously and ought to increase enormously. Changes in industry have rendered the old-fashioned apprenticeship system antiquated, an institution burdensome alike to employer and employé, and as things actually are, of comparatively little use. More and more must the masses look to the school for preparation for actual life, and it is to be hoped that many of us will live to see the time when industrial training will be introduced in all our schools, and rendered compulsory, so that every boy and every girl may gain a knowledge of useful arts. This will in the end be highly remunerative, for the true wealth of a country resides in its men and women. Can any one doubt that the immense wealth of a city like Boston is devoid of connection with its large expenditures for public schools? When our people understand this they will demand that teachers' present pitiably small salaries be raised so that the occupation of a teacher may rank with any profession, and that school facilities be extended. It is safe to say that we in Maryland ought to spend twice what we do for schools, and that the wealth, and consequently the taxable basis of Maryland, would thereby be increased, and render the expenditure most profitable.

It is probable that increase in expenditures of government gives us as good a measure of increase of functions as any we have. Wars have produced complications in federal

[1] Uninformed persons identify extension of government functions and centralization. While Prussia was acquiring the private railroads, newspaper writers had much to say about the increased centralization of power in Prussia. The truth is, one of the most important movements in the domestic policy of Prussia, during the past fifteen years, has been an increasing decentralization of administration, and this has not been interrupted by the acquisition of private railroads.

expenditures; and to measure the increase of functions it may be better to compare expenditures on account of the entire civil establishment at one period with those expenditures at another than to compare all the federal expenditures at one time with those same expenditures at another.

A few statistics will bring before the reader vividly the nature of this world-wide movement. It is said that the best governed great city in the world is Berlin, and it is certain that even the breath of suspicion has never touched the integrity of its administration. Nevertheless, while population doubled from 1861 to 1876, expenditures increased fourfold. The expenditures of Paris increased from 7,500,000 francs in 1799 to 253,663,340 francs in 1883, and the per capita expenditure over six-fold. While the expenses of the state of Baden increased about 41 per cent. from 1860 to 1871, the expenditures of the local political units, called *Gemeinden*, increased 81 per cent. In Prussia, while the state expenses from 1849 to 1867 increased a little over 25 per cent., the expenses of the local political units increased over 130 per cent. These illustrations might be extended indefinitely, but it is needless. In the United States there is some evidence that both extremes — the local political units and the federal government — are increasing in importance, while the significance of the states is dwindling. In New York state between 1862 and 1866 the state tax increased 168 per cent., the county tax 208 per cent., and the town tax 350 per cent.

The following tables present a few facts relative to the increase of federal, state, and local expenditures in the United States. It has been impossible, in a few cases, to discover whether the same items of expenditure are common to the budgets of a given state at the different periods given, but care has been taken in their analysis, and it is

thought that the results are approximately correct, and indicate in a rough way the comparative increase. If there is error, it is probably in the exclusion from earlier budgets of what is included in the later. Those states only are cited for which returns for the period covered could be had. The years 1828, 1844, 1860, and 1887 have been selected for the reason that complete returns could not be found for other years at equal or nearly equal intervals.[1]

FEDERAL EXPENDITURE.

YEAR.	CIVIL ESTABLISHMENT.	TOTAL EXPENDITURE LESS INTEREST ON THE DEBT.	NET ORDINARY TOTAL EXPENDITURE, INCLUDING INTEREST, BUT NOT BOND PURCHASES.
1828	$3,676,053	$13,296,041	$16,394,842
1844	5,645,184	20,650,108	22,483,560
1860	27,977,978	60,056,754	63,200,875
1887	85,264,825	220,190,603	267,932,180

STATE EXPENDITURES.

STATE.	1828	1844	1860	1887
Connecticut . .	$147,117	$208,947	$723,855	$1,511,697
Georgia	186,929	267,764	1,179,100	4,453,293
Maine	137,351	363,058	394,008	1,245,015
Maryland . . .	268,872	635,524	1,306,643	2,125,110
Massachusetts .	447,769	461,097	1,303,784	9,317,609
New Hampshire .	80,890	138,855	184,445	951,782
New York . . .	1,988,804	3,200,000	14,148,667	15,829,125
Pennsylvania . .	3,107,552	3,882,398	3,637,147	7,262,805
Vermont . . .	51,682	90,054	230,489	380,646
Virginia . . .	...	1,526,358	4,222,531	2,626,713

[1] These statistics have been compiled chiefly from reports of the finances of the states, etc., given in the American Almanac.

From the above tables it will be seen that the expenditures in 1887 were larger than those of 1828, approximately as follows: —

The federal expenditure for civil establishment was	23	times	as	great.
" " " less interest on the debt "	16	"	"	"
" total federal expenditure	16	"	"	"
The expenditure of Connecticut was	10	"	"	"
" " " Georgia [1] "	23	"	"	"
" " " " deducting debt payment, about	8	"	"	"
" " " Maine was	9	"	"	"
" " " Maryland "	8	"	"	"
" " " Massachusetts "	21	"	"	"
" " " New Hampshire "	12	"	"	"
" " " New York "	8	"	"	"
" " " Pennsylvania "	2	"	"	"
" " " Vermont "	7	"	"	"
" " " Virginia [2] "	2	"	"	"

The total expenditure of the above states in 1887 was about ten times as great as in 1828. The table given includes, in nearly all cases, expenditures on account of debts and schools.

The ordinary expenses of states, exclusive of debts and schools, did not increase, on the whole, to any considerable extent during the period between 1840 and 1860; for while the expenditures of some states increased to nearly double the amount in 1840, those of others were diminished in like proportion. These are the only years for which the figures are accessible, but it is believed that even up to the present time the increase has been comparatively small.

The following table gives a comparison between the

[1] The exceptional increase of Georgia is due to a large debt payment in 1886-87. The amount paid was about $3,000,000.

[2] Compared with 1844.

federal expenditures and the expenditures of the states enumerated in Chapter II. of Part II., in 1796, with the expenditures of the same in 1887, and also between the federal expenditures and those of all the states in the same years: —

	1796	1887
Federal expenditure	$5,790,651	$267,932,180
Expenditure for civil government in states named	1,000,000	65,000,000[1]
Federal expenditure	5,790,651	267,932,180
Expenditure of all the states	1,000,000	101,534,523[1]

The total expenditure of the various states has increased between the years 1878 and 1887, $25,460,229 (the expenditure in 1878 being $76,074,294; in 1887, $101,534,523), or about 33⅓ per cent., while during the same period the federal expenditure for civil establishment has increased 60 per cent., the total federal expenditure less the interest on the debt 60 per cent., and the total federal expenditure 13 per cent. In this same time the taxes levied have grown from $50,000,000 to $65,000,000.

While the state taxes in Ohio from 1826 to 1886 increased about forty-six times, and the taxes for local purposes over a hundred times, the federal receipts increased only thirteen times.

[1] It is thought the receipts from taxes in 1887 might more fairly be compared with expenditure for civil government in 1796, as expressing more nearly the ordinary expenses of government, for the reason that expenditures on account of debt and schools were largely met by receipts from funds, and hence not included in ordinary expenses of civil government. This is also true at present, but in most cases the total expenditures for all purposes only have been found, the amount expended for ordinary purposes not being given separately. The total receipts in 1887 from taxation in the fifteen states referred to, were about $30,000,000; in all the states about $65,000,000.

In New York state, between the years 1827 and 1887, the local taxes increased fourteen times, while the total state revenues increased but seven times, the total federal revenues having increased about fourteen times. Between the years 1846 and 1887, the town and county and school taxes increased about thirteen times, the state taxes fourteen times, and the federal about twelve times; between 1868 and 1887 the state taxes have decreased nearly one-half, the town, county, and school have increased about one-half, and the federal decreased a very little.

It is noteworthy that the Maryland legislature of 1888 reduced the rate of state taxation one cent on the $1.00, or from 18¾ cents to 17¾, while the ways and means committee of the Baltimore city council has reported in favor of increasing the city rate of taxation, for 1888, thirty cents on the $1.00, or from $1.60 to $1.90. The only purposes for which a property tax in Maryland is levied are schools and debt payment, and the debt is gradually disappearing.

This table exhibits the proportion of the aggregate amount of taxes levied by state, county, or school district authority: [1] —

GEOGRAPHICAL DIVISIONS.	STATE.	COUNTY.	MUNICIPALITIES.	SCHOOL DISTRICTS.	AGGREGATE.
The United States .	16.66	22.25	48.60	12.49	100
New England States	10.11	4.99	82.68	2.22	100
Middle States . . .	11.81	14.64	62.47	11.08	100
Southern States . .	36.61	35.58	24.92	2.89	100
Western States . .	16.68	29.11	34.35	19.86	100
Territories	23.40	65.29	5.33	5.98	100

[1] Taken from Tenth Census Report, Volume VII.

The older and more highly developed parts of the country clearly exhibited relatively smallest expenditures for state purposes, and relatively the largest for local purposes.[1] Without going into the matter further, it must be sufficiently evident that a rational system of taxation, framed with a view to future developments, will be chiefly solicitous about the wants of the local political units, and I therefore recommend, in consideration of these facts and other facts already mentioned, that real estate be exempted from all taxation for state purposes. So far as I am able to judge, this recommendation harmonizes with the conclusions of the ablest students of finance, and is in keeping with a tendency already evident in the United States.

Delaware, Pennsylvania, and Vermont levy no state tax on real estate, while Wisconsin, and other states following her method of taxing railroads, either exempt real estate from taxation for state purposes, or contemplate such action in the near future.

There have been so many complicated factors at work that it is with some difficulty that the meaning of American budgets can be understood. Our civil war was an extraordinary occurrence, and we may hope that national finances will not again be disturbed by any similar disaster. It seems to me, as already remarked, that the expenses of civil establishment are the truest measure of increase of functions of the national government. The war produced considerable disturbance in state and local financiering also. Formerly, hastily undertaken works of internal improvement produced financial embarrassment, usually

[1] Of course the different forms of political organization are concerned with this. The Southern county has always been important, but it has not contained important subdivisions. As the South develops, local government must become more important.

temporary; but some of the states have more to show for their undertakings than is generally supposed. The Erie Canal, in New York state, has paid for itself many times over. The rent of a single railroad in Georgia defrays a considerable portion of the state expenses. Other facts have been already mentioned, and still others will be found in Part IV. of this work. After state undertakings had generally been abandoned, what may be called a mixed system, a combination of public and private undertakings, was taken up. This combined some of the worst features of public and private undertakings, and skilfully evaded many of the best features of each kind of enterprise. States and local political units, as well as federal government, began to pay for railroads, which were then given as a present, without adequate reserved rights to private corporations.[1] This also produced disturbance, and nearly led to repudiation in Maryland. All these facts must be carefully kept in mind; but, notwithstanding the confusion they produce, one fact stands out clear and incontrovertible. The functions and expenditures of local government have increased the world over, more rapidly than those of central governments, more rapidly in the United States than either state or federal government. It seems probable that the functions of the federal government are increasing more rapidly than the functions of states, that states are becoming relatively insignificant. When states are first organized, their expenses are apt to increase rapidly for a time, and then to become almost stationary, and in some instances they have really decreased. A wiser policy

[1] The gifts to the Illinois Central Railroad more than covered the entire expense of its construction. The United States built the Pacific Railroads, and handed them over as a free gift, to men who have acquired enormous wealth from this bounty. See James on "Railway Question." Economic Association monograph, Volume II., No. 3.

may hereafter restore our states to a more important position in American life. It is eminently to be desired from every standpoint.[1] The states have surrendered a large portion of their functions to private corporations, and subject to interference in domestic concerns by federal courts, they sink into an unworthy, undignified position, offering no field for honorable public service on the part of patriots. Private corporations offer, perhaps, the largest inducement to talent, but the federal service is not entirely without attractions, while it now does not seem improbable that the position of mayor of a great city will soon be a more enviable office than that of governor of an American commonwealth.

While the states at present cannot perform a great deal for society, they have retained vexatious, and in many cases most injurious rights of interference in local affairs, and local government can with us in America do very little without express legislative sanction. We talk a great deal about local self-government, but, as far as finance is concerned, the thing itself scarcely exists. We do not begin to have the power of local self-help which the well-governed German cities have. One reason for favoring the separation of sources of state and local revenues is to limit the interference of legislatures in local affairs, so fruitful of corruption, and to enlarge the province and to increase the independence of local self-government.

[1] One of the measures recommended by Prof. Henry C. Adams, for this purpose, is the restoration of the borrowing powers of the states. See his "Public Debts," Part III., Chapter IV.

CHAPTER IV.

A PLAN WHEREBY A PART OF THE INCREASING VALUE OF REAL ESTATE IN STATES AND CITIES MAY BE SECURED BY THE PUBLIC.

A CUSTOM which obtains in Savannah is suggestive. It appears that the city is extended only after all or a considerable portion of the land in the proposed new part has been acquired by the city. This is bought by the acre, as it manifestly cannot be sold as lots until it has been laid out. After improvements have been made, the land is sold in lots at auction, and the city realizes a profit on the transaction, which accrues to the benefit of the tax-payers. Lots were formerly sold, and only interest on the amount bid was required; in other words, unalterable but redeemable ground rents for the city were established, and to-day the owners of some of the most valuable lots in the city, sold long ago, pay $20 to $30 a year into the municipal treasury.[1]

There are some evident defects in the plan. Ground rents for twenty-five years, with power to revise them at the expiration of the period, or to put these lots up at auction, the purchaser to acquire improvements at an appraised valuation, would have saved for the community the increment in value due to the diligence and thrift of the community.

[1] Lots belonging to the city on North Calvert Street, in Baltimore, were advertised for sale at public auction recently, the purchaser to make semi-annual payments to the city; in other words, to pay for the use of the land. The city did not retain the right to revise the rent at the expiration of a given period.

This is an easy and practicable plan, and in many cities, if it had been applied at a sufficiently early date, would have obviated the necessity of taxation, and thus have given an immense impetus to commerce and manufactures. The diminution in the number of the idle classes would be a benefit, and the fewer opportunities for speculation would turn more to the old-fashioned methods of getting a living by hard work.

The details of the plan are easily understood, and it is not difficult to carry it out. Toronto, in Canada, owns land on which improvements have been constructed, and derives a considerable income therefrom. The amount received from rentals of city property in 1885 amounted to $56,306.04.

This is a plan which Columbia College and private parties pursue, although with some deviation in details. It is customary to lease city lots for twenty-five years, more or less, at the expiration of which period the owner of the land fixes a new rental. The owner of the improvements has then an option. He can pay the rental for another period, or he can surrender his improvements to the land-owner, who must then purchase them at an appraised valuation. This is rather too complicated for an American city. The plan which a college in Chestertown, Kent County, Maryland, pursues is open to no objection. It leases land to parties, and at the expiration of the lease puts it up at auction. If the previous lessee bids in the lease, he, of course, is not obliged to pay for the improvements. If some one else offers more for the use of the property, the other person must pay the improvements at an appraised valuation. If this plan is pursued by states and cities it remains for the private parties to settle between themselves the value of the improvements, and there is no opportunity for land-owning rings

be easier, and it would encourage improvement rather than otherwise. We of Baltimore have a private ground rent system, which, it is said, has done more than anything else to encourage building and the ownership of houses even by poor people. The land is not bought, but it is agreed for all time to pay a certain definite sum for its use. This raises up an idle class, and diverts men from industry, and on this account its advantages are a subject of controversy. The objections which are urged against it would nearly all disappear, did the benefit of the ground rents accrue to the city. It is easier to get a home, because one is not obliged to buy the ground, and the ground rent is unlike a mortgage because the owner of the improvements can never be disturbed so long as he pays his ground rent.

It is to be recommended that states and cities both make use of this suggestion. It is to be recommended that legislatures pass laws, or that constitutional provision be made, to the effect that no new street be laid out by any municipality through the land which it does not own; this land to be acquired as agricultural land, and to be leased, as demand might arise, at auction, in periods of twenty-five years, to be released at the expiration of the period; the lessee, if a new person, to acquire improvements at an appraised valuation.

Agricultural land which states like Texas and Nebraska own can well be treated similarly, and the proceeds devoted to educational purposes in the largest sense of the term education, including under it art, literature, manual training, physical training, etc. Nebraska leases school lands, but sells them when they become worth $7.00 per acre.

The plan outlined is far better, and with no expense to taxpayers would give Western states the finest educational facilities the world has ever seen.

Its social and industrial effects would also be excellent.

There must always be tenants of land, and alien landlordism is assuming alarming proportions in our Western states. Land which the state owns can be controlled by the states, and such evils as those which now excite Illinois can be obviated. Instead of annual leases, or the very short leases which are the best now given, the tenant could be given long leases, and he would have a guarantee of payment for his improvements. Experience has proved this to be sufficient to secure good cultivation. English farmers nearly all rent their land, yet no better agriculture is known. The best way out of the difficulties of absentee landlordism and rack-rents in Western states is for the states to acquire land held by foreigners, and to rent it to tenants. Some such plan as this may be an absolute necessity in the future, and it is desirable that the states and cities hold on to more lands. It might also be urged upon Congress to sell no federal land. The possession of land is a great social safety-valve, and it is madness for us to let all of our public domain pass into private possession.

It does not seem to me desirable that states and cities should own all the land, but an ownership of part of it must be beneficial.

Massachusetts has reclaimed [illegible] under water, now in the Back Bay district of Boston. Its profit on the sale of this land was over four millions of dollars. Had it been leased, as I have suggested, the very valuable land might [illegible] millions of dollars a year or a moderate estimate of one third more than the direct state tax for [illegible].

[1] People were formerly accustomed to sneer at the reclamation of the Back Bay land by the state. Now that it has proved a successful enterprise, we hear comparatively little about it. Had it been a failure, it would have been cited a thousand times a day as a proof of the inefficiency of public works.

The location of some government buildings in the city of Toronto, Canada, is about to be changed, and this places the public in possession of a large tract of land in the city suitable for building purposes. It is to be hoped that some such plan as this recommended will be adopted in the disposal of it. If the renting of land by the city of Toronto to private parties in any way retards improvement, as some assert, it must be due to defects in the laws, which can readily be altered. Such reports, however, are to be received with caution, as they can often be traced to the interested motives of those who desire to acquire public property.

CHAPTER V.

NATURAL MONOPOLIES.

NATURAL MONOPOLIES DEFINED AND CHARACTERIZED.

IT is a great problem to know how to provide for growing municipal expenditure; yet Nature herself seems to have made provision therefor in those pursuits which may be classed as natural monopolies, and necessarily use local public property. A natural monopoly is a business which is such by its own inherent properties. While it may be occasionally engaged in a struggle with a rival to determine the terms of combination, or the condition of a truce, as in a division of territory, it is not like other businesses subject to the steady, constant pressure of competition. The principal natural monopolies with which states, municipalities, and other local political units are concerned, are streets, bridges, railroads, canals, ferries, gas-works, electric-lighting works, water-works, harbors, and street-car lines. The following characteristics of monopolies, quoted from a recent writer on this topic, will help to show why they must be monopolies: —

"1. What they supply is a necessary.

"2. They occupy peculiarly favored spots or lines of land.

"3. The article or convenience they supply is used at the place where, and in connection with, the plant or machinery by which it is supplied.

"4. This article or convenience can in general be largely,

if not indefinitely increased, without proportionate increase in plant and capital.

"5. Certainty and harmonious arrangement, which can only be obtained by unity, are paramount considerations."

The reason why certain pursuits are monopolies may be stated in other words. What they supply can be supplied by one person much cheaper than by two or three. If two gas companies, with a capital of $1,000,000 each, operating in a single city, just pay expenses, by combination, although the capital will be doubled, the reduction in expenses will be such that a profit will result therefrom; added to this is the more complete control of price. It is, therefore, no accident that we have never secured permanent competition in gas supply in Baltimore, with all our attempts. We never can secure it, should we try a thousand times. So it is with all natural monopolies. It is best, therefore, to recognize this fact, and act upon it.

PROFITABLENESS OF NATURAL MONOPOLIES.

It is further to be remarked that when natural monopolies charge for services, in contradistinction from free public monopolies, like streets, and are guaranteed a free field, their profits constantly rise with the growth of the city. The public gas-works of Berlin, in Germany, illustrate this. They supply gas for less than one dollar a thousand, and yet have become so remunerative that the profits therefrom defray eighteen per cent. of the expenses of the municipal government. American cities have had somewhat similar experiences. Richmond and Danville, Virginia, and Wheeling, West Virginia, may be mentioned as examples. In Wheeling, gas is sold for ninety cents a thousand, and the city derives a profit therefrom. The corruption in connection with the gas-trust in Philadelphia, which has become so notorious, has

somewhat obscured the real nature of the question. Yet it may be doubted whether private corporations in other cities, which might be named, have had a less corrupting and debasing political effect.[1] At any rate, the people of Philadelphia wisely determined, after the expiration of the trust, to retain public ownership of gas-works, and it is said that the profits on them during the past year exceeded expectations by $1,000,000. The receipts from the works figure for nearly $3,000,000 in the budget of 1887. I have several recommendations to make in view of these facts.

RECOMMENDATIONS.

I recommend[2] that legislatures hereafter refuse to grant a charter to any private corporation to supply any municipal corporation in the state with gas, or water, or electric light, but that such undertakings shall always be public; further, that municipalities be encouraged to purchase existing private gas-works when favorable opportunity to do so occurs. If, however, charters are granted, they should be sold at auction for a limited period, with reserved right as hereinafter described.

A few municipalities manage their own street-car lines, but the time is hardly ripe for that with us. I recommend that legislatures pass a law somewhat similar to that of New York state, but modified in such manner as to secure to the public to a larger extent the benefits of future increments of value.

[1] A bill regulating the price of gas in Baltimore was, in April, 1888, stolen from the Senate file of bills after it had passed the House, and when it was about to come up for the third reading. Public gas-works have never yet employed lobbyists who stole bills from the legislature.

[2] I keep the language of my report to the Maryland legislature, for good reasons, although it is not in every respect the language suitable to a book.

I recommend that all street-car franchises be sold at public auction, to be duly advertised in newspapers in Baltimore, Philadelphia, New York, and Boston, and that the sale be for fifteen years, to the one who will give the largest percentage of gross receipts — never net receipts, for in such cases, by some kind of hocus-pocus, net receipts tend to a minimum. At the expiration of fifteen years the right should be reserved to the local authority "to purchase the undertaking compulsorily on the terms of paying to the company the then value of all land, buildings, and plant belonging to the company, at their market value, having regard to their condition and their suitability to the purpose of the undertaking, but without any addition for compulsory purchase, good will, or future profits." [1]

If the city should not choose to exercise this right, the sale of the franchise at public auction under similar conditions should then be rendered compulsory, the purchaser, if not the existing company, but another, to purchase all the property of the previous company at an appraised valuation, as in the case of the purchase by the city, and under similar conditions. This method determines the actual value of the franchise which ought to go to the public, to whom alone it is due, and still leaves profit on capital actually invested to the street-car companies. If a line is worth but little, it will bring little; if much, it will bring much.

A somewhat similar plan is followed in New Orleans as well as in New York, and the enormous profits on street-car lines can be seen in the fact that franchises have been sold

[1] This quotation contains the provision of the English Act, and is quoted from "The State in its Relation to Trade," by T. H. Farrer, page 92.

in New York for thirty-five and forty per cent. of gross revenues.[1]

The charter of the Baltimore City Railway Company expires in 1889, and the Act of Incorporation, drawn up by a far-seeing man, contemplated the enjoyment of future unearned increments of value by the public. The terms of the Act of Incorporation contain this provision :[2] "*Provided*, that the said Mayor and City Council shall have the privilege, within two years after the expiration of fifteen years from the date of the passage of said ordinance,[3] to purchase and buy out the said corporation, and all its property and franchises, whether conceded by the ordinance aforesaid, or granted by this act, for and at a fair and equitable consideration, or value; and in case of a disagreement as to the said value and consideration, the Mayor and City Council aforesaid shall appoint one referee, and the corporation hereby created shall appoint another referee, who, in event of disagreement, shall appoint an umpire, the decision of whom shall be final, as to the price to be paid as aforesaid; *and provided further*, that if the said Mayor and City Council of Baltimore shall decline or neglect to give notice to the said corporation of their intention to make said pur-

[1] Corporations endeavor to conceal enormous profits by stock-watering and the creation of mortgage-debts. One railroad of which I know something — and it is but one of many — has issued bonds for all the capital actually invested, and because it pays no dividends on stock, representing no original investment, its president claims that it is making no money. The claim that a corporation is making no money should not be granted until a complete exhibit is made of capital actually invested, amount of bonds issued, and of salaries and interest paid.

[2] See Maryland Code, Supplement, Volume I., A. A. 1862, Chapter LXXI., Feb. 13.

[3] 1859.

chase within the aforesaid two years, then the grants and privileges held and enjoyed by said corporation shall continue to belong to it for fifteen years longer from the expiration of said original fifteen years, subject to all the terms and conditions imposed and recognized by this act, and continuable thereafter in like manner, from time to time, as aforesaid, upon the said terms and conditions."

It is to be recommended that the mayor and city council make use of this provision and sell the franchise for fifteen years, to the highest bidder, on conditions already mentioned.

The special tax was originally twenty per cent. of gross revenues, and it has been gradually reduced by unscrupulous legislators to nine per cent. of gross revenues. At the same time stock of the par value of twenty-five has risen to seventy-two or seventy-five, and pays twelve per cent. dividends. It is stated, however, that over eighteen dollars a share was never actually paid in, which would make the dividends nearly seventeen per cent. While every one is glad that the corporation has prospered, there is no reason why the use of the public streets — the property of the public — should longer be granted without adequate compensation.

I estimate that the franchise at public auction, duly advertised, would produce at least twenty-five per cent. of gross revenues, and this would relieve to that extent the business men of Baltimore from their load of taxation.

This is a far more rational and a far juster plan than the present one, which imposes the same tax on all street railway franchises, whether worth much or little. The interests of all the corporations are thus united, and all work together for tax reduction, and it is in this very way that the past reductions have been secured. Each franchise should

be treated separately and sold for what it is worth, and then a weak line will see no reason for helping a powerful one to escape its proper tax.

A word more may be said about the plan outlined for the treatment of natural monopolies. It is to be observed that it forces no particular system of management upon any city. It leaves the people free from time to time to decide what it is best to do. If it is felt that it is best to adopt private management, this course is open to the city. If, however, it is thought to be best to commit any or all natural monopolies to public management, the way is also clear for that at the expiration of the period.

There are always two ways for the management of natural monopolies. One is the French method, private management under public control; the other, the German, and to an increasing extent, the English, namely, the direct public management of natural monopolies.

Doctrinaires object to public management, that it is inferior to private management. Experience, however, shows that their assertion is based on fancy, not fact. Hundreds of towns and cities in this and other countries have acquired gas-works, water-works, electric-lighting works, and it yet remains to show one single instance in which the acquisition has not proved advantageous.

It is said that we ought to wait until our civil service is improved. One who is not a doctrinaire feels inclined to ask, however, What makes the civil service so bad? The moment that one begins to examine facts it becomes apparent that those intrusted with the management of natural monopolies are themselves the most potent cause of corruption. Such an one, on going to the City Hall in Baltimore, will find that the heads of departments carry in their

pockets passes on the street railroads of the city,[1] and if this is not an attempt at corruption, what is it? If he lingers about the City Hall and becomes acquainted with city councilmen he will find that at least one president of a street railroad corporation places a goodly portion of his patronage, positions as conductors and drivers, at their service. Yet corruption of this sort is not so bad in Baltimore as elsewhere. Baltimoreans have never been so robbed as New Yorkers and Bostonians, for we do at least receive nine per cent. of gross revenues from street-car lines for the use of streets, in addition to regular taxes. If the investigator goes to Annapolis, he will find men in the legislature with railroad passes in their pockets, making money from railroads. Is it any wonder that bills to make railroads pay their fair share of taxes failed to pass the recent legislature? If one goes to Boston, one may hear the name of an admirable man, once a member of the state legislature, who was not sent to Congress because he tried to get a law passed preventing members of the state legislature from accepting passes. One may go to a Western city, and find both Republican and Democratic members of the city council elected by a street railroad corporation which controls both parties.

It may be well, however, to mention some facts which have come to my knowledge, as an illustration of existing methods. The last convention of the dominant political party in a certain state, adopted a platform in which it was demanded that corporations should pay their fair share of taxes. The party pledged itself to change the laws of taxation so as to meet the requirements of this plank in their platform in case the party received a majority. The taxation of corporations was the rallying cry of the campaign.

[1] I do not mean to say that all of these heads of departments make use of the passes. Such is not the case.

The candidates of the party received large majorities, and a bill to tax corporations was introduced in the legislature. This bill was defeated by the efforts of the attorney of one of the most powerful railroad corporations in the United States, and of the attorney of a great telegraph company. Of these two attorneys one was president of the convention of the dominant party, to which reference has been made, and the other wrote the platform! The state in which this happened is not named, but every one acquainted with practical politics can duplicate it. It is merely typical.

Everywhere the facts are the same, and it must be so. When it is attempted to control private corporations, a divergence of interest between the public and private parties arises, and this makes the temptation to corruption irresistible. Is not this sufficient to show how far they are from going to the bottom of things who think that any petty device which does not go below the surface of things will reform our political life? This can never be effected without a fundamental change in the relations between the public and natural monopolies. The moment a town, even a small city or village, intrusts water supply or gas supply to a private corporation, that moment a dangerous political element is introduced. Cities which practice self-help rather than reliance on corporations will be found to be better served and purer in their political life.[1]

Harbors and water-front ought to be municipal property, on account of their character as monopolies, and on account of the revenues which they yield.

[1] This matter would require too much space to be treated exhaustively here, and I hardly feel justified in devoting more space to it, as I have discussed "Natural Monopolies" at some length in my "Problems of To-Day," shortly to appear in book form.

Abattoirs, or slaughter houses, are best rendered a legal monopoly, and owned by cities. They can readily be made to yield a considerable revenue.

Markets are very generally owned by cities, and this ownership has, so far as I know, without exception proved advantageous and has been a considerable source of revenue.[1]

States cannot well build and operate railroads, because railroads are national in their character, and the only authority which can deal with them satisfactorily is the federal government. Yet the fact that they are natural monopolies enables states to derive considerable revenue by carefully guarding public property and public rights. It has been suggested that cities build union depots, and that each city compel all railroads to use the same one and pay rental. This would be a great convenience, but would require legislative sanction. The example of Illinois is suggestive. That commonwealth reserved seven per cent. of gross revenues of the Illinois Central Railroad for the franchise, as Baltimore City has reserved nine per cent. of gross revenues of street-car receipts for municipal expenses. Such bargains might often have been made in earlier days, and opportunities to make them will still occur, especially in large states like Texas and California. Of course the difficulty is that the railroads usually control the legislatures, and that these sacrifice the people, and grant franchises for the benefit of private corporations.

The state of Maryland is the chief owner of the Chesapeake and Ohio Canal, running from Cumberland in the coal regions in the western part of the state to Georgetown, D.C. It has been proposed that a part of this be leased to the Western Maryland Railroad for an extension of its tracks

[1] See Part IV.

along the tow-path. If that or any part of the canal is abandoned, it should be sold at auction for a percentage of gross revenues. Similar cases will occur in other states. Charters should always be limited, and right of repurchase of every natural monopoly at an appraised valuation reserved.

CHAPTER VI.

TAXATION OF THE MANUFACTURE AND SALE OF INTOXICATING LIQUORS.

MODIFIED PROHIBITION.

THE sentiment in favor of restricting the liquor traffic is in our Southern states daily increasing in strength, and some of our best-known and most respected public men have pronounced in favor of total prohibition. This sentiment has been the natural outgrowth of the actual condition of affairs, for the liquor saloon is seen to be the bane of politics as well as a curse to our industrial and domestic life. While public sentiment will not warrant prohibition in all parts of a state like Maryland, it is evidently time to proceed to place restraints upon the liquor traffic.

I recommend, in my report to the Maryland legislature, that the number of places where liquor may be sold be limited to one to every two thousand of the population in incorporated cities, and to one to every fifteen hundred of the population in those parts of counties outside of incorporated cities; that the municipalities and counties be divided into liquor districts accordingly, and that once a year the right to sell liquor in each be sold at public auction to the highest bidder, under heavy penalties for violation of Sunday law and laws relating to sale of liquor to minors, and to other matters which, for the public good, may be included within liquor laws. The prohibitionists in their organ admit that a largely diminished number of saloons diminishes the liquor traffic,

and experience of other countries seems to confirm this. Why cannot, then, all good people unite on such a measure which would at the same time yield a large revenue? The right to prohibit the sale of liquor by popular vote in any municipality or county could and should be coupled with this.

It will doubtless be urged that the revenues which would be derived under such a system from dealers in intoxicating liquors, would wed the tax-payers to it, and render prohibition either extremely difficult of attainment or an impossibility. This objection is urged against ordinary high license. Modified prohibition, however, is essentially different. It limits at once and absolutely the number of places where intoxicating liquors may be sold, and it is possible to couple with modified prohibition the provision that any violation of laws, of whatever degree of severity, shall work a forfeiture of the license. Each one who has an exclusive right, purchased at a high price within a certain territory, becomes an agent of the police; for if he does not help to enforce the law, unauthorized dealers will ruin him. This plan does not work against prohibition, but where the liquor traffic exists it compels this traffic to defray a large part of the public expenditures, and this seems right because drunkenness is the cause of a good portion of the expenses of government.

It cannot be doubted that the relief of the tax-payer, brought about by large revenues derived from sales of exclusive rights, will, to a certain extent, strengthen the liquor traffic. This objection to high license must have weight with those who desire to see an ultimate triumph of prohibition. It is, however, more than offset by other features of modified prohibition. It concentrates the liquor traffic in huge establishments, and drags it before the public where all its evils must be conspicuous. Private nuisances are odious, and this odium would offset any advantage which manufac-

urers and dealers in intoxicating liquors might derive from a payment of a very considerable portion of the public expenses. It is difficult to tell of any other way in which this entire business could better be placed on its own merits or demerits, as the case may be. The plan formerly pursued on the continent of Europe was to limit absolutely the number of saloons. No additional license was granted unless there appeared to be need of additional places for the sale of intoxicating beverages. This plan was also followed in old New England. The following quotation is from the records of the court at Springfield, Massachusetts, in September, 1677: "There being presented to this court the desires of some for liberty to sell wines and liquors to their neighbours, in our towns, with promise to sell at reasonable rates, this court doth not see reason to grant such desires, but orders that it be declared to the ordinary keepers that it is expected that they sell their wines and liquors at reasonable rates, or that otherwise the court will put upon it to seek ways for help by granting license to others to sell or otherwise." Although every one appears to have kept cider and stronger liquors, by order of the court, in 1675, no liquors could be sold except to the heads of families, save by the regular licensed ordinaries.[1] These old methods of favoritism are not possible now. It was necessary to abandon them in Germany under the influence of democratic ideas, and the effects of an increased number of licenses were seen in an alarmingly increased amount of drunkenness and wretchedness. It is, indeed, unjust to give special favors to a few who already have privileges. Public auction is not favoritism. The right to sell goes to the highest bidder. This gives us the advantages of the old system of restriction, without the disadvantages of favoritism.

[1] From Dr. Bemis' paper on "Old Time Answers to Present Problems," to which reference has already been made.

HIGH LICENSES.

Wholesale dealers might be charged a license fee of $2000 each, and also be obliged to pay a business tax of ten per cent. of the annual rental value of their places of business. This additional tax could be placed also on retailers.

High license, considered simply from a pecuniary standpoint, yields large returns, and if any license is granted, why not a high license? A license fee of $500 for the country, and $1000 for the city, is not too high. The Illinois license system compels all local bodies to charge at least $500, and allows them to charge as much more as they please, and even to suppress it altogether. The minimum charge for beer selling alone is $150, but local authorities have generally raised it to $500. It is stated that the number of saloons has been reduced from 13,000 to 9000, and the revenue from these licenses raised from $700,000 to $4,500,000.[1]

In Missouri the minimum license fee is $550, and the maximum $1200. The revenue from license fees increased from $600,000 to $2,000,000.

The charge for a license in Michigan is $500, and for one doing a wholesale and retail business, $800. The amount of revenue reported by the county treasurers of Michigan for 1885 was $1,067,005.77; for 1886, $1,186,366.95.

Pennsylvania has inaugurated a new high license system. The charge for a license is $500 in the largest cities, and

[1] The annual statement of the finances of Chicago for 1887 shows that the amount received for licenses during that year was $2,225,768.71. This sum must include other licenses than liquor licenses, although by far the greater amount undoubtedly comes from liquor licenses. Property taxes yielded during the year $5,166,155.72, and the total receipts amounted to $16,127,832.03. Part of the sum was on account of refunding operations and special assessments.

liquor-dealers must secure two bondsmen with real estate valued at $2000. These bondsmen must be reputable citizens and must not be engaged in the manufacture of intoxicating liquors. No man can be bondsman for more than one applicant. This provision makes it more difficult than elsewhere to secure licenses, for in other places, Illinois for example, brewers go on the bond for dealers, and one man will often act as bondsman for half a dozen dealers. It is also provided that citizens may appear before the board granting the licenses, and enter objection against any applicant, on the ground that he is a law-breaker or disreputable character, and if the fact is established, the license must be withheld. It is expected that the number of saloons in Philadelphia will be reduced from 6000 to less than 3000 under the operations of this law. It leaves a good deal, it will be noticed, to the discretion of the body granting licenses, which is the court of quarter sessions, and by shutting out many competitors increases the value of a license to the one who receives it, while the full value of the license is not secured to the public. Room is opened for political abuse of the right to grant licenses. The auction plan secures the full value of the license for the public, and does not offer opportunities for favoritism.[1]

The charge for a license in cities of Nebraska is $1000, and in smaller places, $500. It is said that one-half of the saloons in Omaha have been suppressed, and that the revenues from this source have increased from $50,000 to nearly $250,000. The license taxes are the same in Minnesota as in Nebraska. Minneapolis has a peculiar system, resembling

[1] The Pennsylvania law includes the old Teutonic idea that licenses should be granted only where there is need of a liquor seller for public convenience. It must, according to the law, be shown "that the place to be licensed is necessary for the accommodation of the public."

hat the system of modified prohibition. No liquor
ıay be sold outside of a certain district in the heart of
or outside of the patrol limits, as these limits are
called. This seems to be a good feature of a high
system. It is described in these words by a gentle-
Minneapolis, of the highest integrity and intelligence :
)lan, you know, is an effective restraint of the traffic
the actively patrolled business districts of the city,
: having been originally fixed by the mayor and the
uncil in the spring of 1884, and placed in the charter
legislature just a year ago. It was adopted concur-
vith an increase of saloon license from $100 to $500
ıew *régime* of strict enforcement of law. The conse-
was the closing of all establishments, perhaps seventy-
one hundred, outside the line, and a still greater
on through the operation of high license inside the
The last legislature by a general law for cities made
:nse fee $1000; and this has reduced the number of
very materially; not more than one-twelfth, I should
e, of the area of the present corporate limits of the
included in the liquor limits. Probably four-fifths of
)ulation live outside the limits. Saloons eliminated
orkingmen's residence neighborhoods have an excel-
)ral effect. Citizens, regardless of party, would resent
ıing of the limits if that should mean encroachment
ıeir territory or residence neighborhood. It is a self-
ng arrangement when once established, and almost
'orcing. It has proved highly satisfactory."[1]

ıe of the statistics in this chapter are taken from articles in
'on for Jan. 12, 1888, and Feb. 16, 1888. It is only fair to say
Nation is an enthusiastic advocate of high license, and its
)ns and facts are both called in question by prohibitionists.
ion means the suppression of all revenue from the traffic in

intoxicating liquors. Its advocates generally claim that it is sinful tc authorize by law the existence of such a curse as the liquor traffic, and that to derive profit from it makes the community a participator in its crime. This is a phase of the subject which it can hardly be expected that I should treat in a work on taxation. It comes more properly within the scope of moral science. From a narrow financial standpoint, high license is an undoubted success. Nevertheless, it must be confessed that there is reason to look with apprehension upon the large revenues derived by high license. These are a bribe to the public. But if the choice is between low license and high license, it seems to me that high license is the lesser of the two evils.

CHAPTER VII.

TAXATION OF INCOMES.

THE POSITION OF AN INCOME TAX IN A SYSTEM OF TAXES.

THE taxes which have already been described are suitable for local purposes. The central tax of a proper system of local taxation is the tax on real estate; and this will vary from year to year according to the needs of the public treasury. An estimate must first be made of the revenues from productive property and local enterprises, from natural monopolies, from liquor licenses, and from all other sources, and then a tax-rate on real estate, just high enough to make up what is still lacking should be fixed. It ought not in any American city to exceed one per cent. of the true selling value of the property.

The central and variable tax in a proper system of state taxation ought to be an income tax. This should vary from year to year according to the needs of the state government, and its rate should be calculated after the revenues from other sources have been estimated.

EQUALITY OF TAXATION IMPOSSIBLE WITHOUT AN INCOME TAX.

It has already been stated in this work that the farmers of Maryland and her sister states, and other hard-working people, are right in their feeling that all men of means should contribute to the support of government in proportion to their ability. It is a just grievance that many who can amply afford to bear a part of the burdens of government

do not participate in them, while they do derive inestimable benefits from the existence of government. There is one way, and only one, to remedy that evil, and that is, by an income tax, which requires calm and judicial examination, undisturbed by the hue and cry raised by tax-dodgers or even by the prejudiced.

First. It is universally, or almost universally, admitted that no tax is so just, provided it can be assessed fairly and collected without difficulty. More nearly than any other tax does it answer the requirements of that canon of taxation which prescribes equality of sacrifice. Furthermore, it is of moment that the income tax, unlike license charges, does not make it more difficult for a poor man to begin business or to continue business. Its social effects, on the contrary, are beneficial, because it places a heavy load only on strong shoulders. Even for men of large means engaged in business it is a tax to be strongly recommended, for such men will in some years make little or nothing, or even lose money. Now, our property tax is merciless; it exacts as much in a year when a business man is struggling to keep his head above water as in a year of rare prosperity; whereas the income tax exacts much only when much can be given without financial embarrassment. If it were practicable to substitute an income tax for the whole of the property tax, it would save many a man from bankruptcy. I will repeat, with some modification, in this connection, words I used in my special report as member of the Baltimore Tax Commission: —

It is the fairest tax ever devised; it places a heavy burden when and where there is strength to bear it, and lightens the load in case of temporary or permanent weakness. Large property does not always imply ability to pay taxes, as taxes should come from income; even when assessed

on property it is only an indirect device for estimating income. An income tax spares the business man in season of distress and helps him to weather the storm, but asks a return for the consideration shown in days of increasing prosperity.

AN INCOME TAX WILL PROMOTE GOOD GOVERNMENT.

Again, why should the man with a large income but with no property escape all share in the common burdens? There is a considerable and increasing class living in great comfort on incomes of large proportions, say five, ten, twenty, thirty, or forty, or even fifty thousand dollars, who by insurance and various devices, protect themselves and their families for the future, and yet pay no taxes. This is an injustice to other classes and a harm to the commonwealth, because these men are often careless and indifferent about their public duties, knowing that their income is not affected by high or low taxation. They appear to pay nothing to government, and as it seems to cost them nothing, they too often care little for it.

One of the reasons of poor government in our states and cities is to be found in the failure of large and influential classes to concern themselves about practical politics. They often speak of politics with an affectation of superiority, as if they were above anything so base and common. This attitude is not uncommon among professional people, as lawyers, physicians, and teachers. These men have opportunities for personal cultivation and for gathering knowledge which are better than those enjoyed by other members of the community, and their influence ought to be large and beneficial. They must pay taxes because indirect federal taxes form a part of the price of commodities which they purchase, and because a considerable portion of our direct

taxes, like the tax on house property, is shifted and reaches them indirectly. This, however, is not noticed. What is needed is a tax varying with public needs, and with the integrity and efficiency of administration, which will reach the great mass of citizens, — a tax which will directly and immediately rest upon the tax-bearer. We have too few payers of direct taxes in our states and cities; but the income tax is a tax which is felt and which must be paid by the tax-bearer. It is precisely the kind of a tax needed, and it is beyond question that it would change the attitude of a large portion of the community towards government.

The incomes enjoyed by the professional and salaried classes and some others are frequently the results of large expenditures in cultivating one's powers, and they create what can be called personal wealth. One man spends $10,000 in preparing himself for some lucrative position, and derives therefrom an income, but pays no taxes, while the man who spends $10,000 on a farm must contribute every year a sum large in proportion to income for the support of government.

CURRENT OBJECTION AGAINST AN INCOME TAX.

Some of the current objections against the income tax must receive attention.

It is said to be inquisitorial. What tax is not? What tax is in fact less so? Does the tax on whiskey and tobacco involve a less searching examination into private affairs? On the contrary, the manufacturer of tobacco and the whiskey distiller must expose their every operation to inspection, and they are surrounded by spies. Those who try to evade the tax are frequently hunted down like wild beasts, and its collection is attended with bloodshed of taxpayer and tax-collector. Is the tariff less inquisitorial?

On entering an American port you must open your trunk and exhibit all you have, and in case of suspicion, your very person is liable to be searched. Is the personal property tax less inquisitorial? By no means. The income tax asks one question, while the personal property tax, if really enforced, demands every item of personal property, and involves an exposure of all assets and liabilities. Anything more inquisitorial cannot be conceived. We talk about the European system of government espionage and prying into one's affairs, but the German writer, Baron von Reitzenstein, who wrote the review of the Baltimore Tax Commission's report, to which reference has already been made, called attention to precisely these features in our personal property tax, as noteworthy. He said it was like the examination made in his country of the estate of decedents in the probate court. It is said that it produces perjury, but existing taxes are still more demoralizing.

It is said that it is difficult to assess it fairly. It is incomparably more difficult to assess a personal property tax fairly. It is so much easier to assess an income tax that assessors sometimes first assess a man's income, and then, on the basis of that estimate, his probable personal property. This plan is sometimes followed in the City Hall in Baltimore. It is, indeed, on this account that a part of the prejudice against the income tax exists. I do not intend to express any condemnation of men of large means as a class, but you will find among them, as in all classes of society, unscrupulous persons. Now, these found the income tax a less easy tax to evade than the personal property tax, and precisely on that account they raised a hue and cry, which, by reason of their control over influential newspapers, attracted undue attention. In the case of the federal income tax, its very excellence was turned against it. A chief

objection to it was that it accomplished precisely what it was intended to accomplish.

No one pretends that the publication of the valuation of a man's personal property will injure him in any way or destroy his credit; that was alleged with reference to income tax. Why the difference? Because the one was more nearly accurate than the other. No one attaches any importance to the publication in the newspapers of personal estates taxed in New York and Brooklyn, but importance was attached to the income tax returns.

Any one who is honest must confess that it is easier to discover income than personal property. I own a promissory note, but where it is I do not know. How can a tax-assessor find it? If he finds it, how can he tell what it is worth? I do not know myself. It may be paid and it may not be paid. If I receive any income from it in the shape of interest, that is something which I know. I have some copyrights. What are they worth? I do not know. How can an assessor tell? What income they yield during any one year is a matter which I know well enough. How can an assessor find any evidence of the fact that I am the owner of a copyright? There is not one assessor in a thousand to whom it ever occurs that such a form of personal property exists. If, however, I derive an income from my promissory note and from my copyrights, it is altogether probable that I may give some evidence of the receipt of income. The style in which I live, the property I purchase, and a thousand and one acts give evidence of income. It is not asserted that it is always an easy thing to tell what income is; but it is incomparably easier than to discover intangible property. The facts just given are merely typical. Every business man can duplicate them. Any one who is willing to accept the taxation of personal property as a just and

proper mode of taxation, and at the same time objects to an income tax on the grounds that it is inquisitorial in nature, and that income cannot be fairly assessed, must not be surprised if either his intelligence or his sincerity is called in question.

A further indication of the fact that a general personal property tax is tolerated only because laws and constitutional provisions are not enforced, is seen in the fate which usually overtakes reports of tax commissions. Some people feel dissatisfied on account of undue and unequal taxation, and instigate the appointment of a tax commission. As a rule the force of tradition and prejudice is such that no radical changes are recommended, but laws are recommended which simply aim to enforce the existing system. The reports are then, with or without due form and ceremony, buried, and sleep the sleep from which there is no awakening.

A special tax commission made a report to the South Carolina legislature on taxation in 1886, which had no other design in the world than to enforce the law, and this is what a disgusted advocate of the tax commission's recommendations wrote me in regard to their bill: "It was killed in the Senate before one-fourth of it had been discussed. This was done because it was said that their suggestions were too inquisitorial, etc. The ignorance of legislators generally was never more gross and patent than in this instance, for it is a fact that every one of these so-called 'suggestions' of the commission (upon which the Senate was induced to kill the bill) were 'original suggestions' taken verbatim from the existing tax law! The bill, of course, never reached the House of Representatives, and was not discussed by that body."

It has been said that our Baltimore Tax Commission[1] report was killed by the pressure from business men even before the State Tax Commission[2] was appointed. Now, for this they can scarcely be blamed severely, for to enforce the law would have injured the city generally. Perhaps it can at most be said that they should either have favored the enforcement of law or have agitated for its repeal.

INCOME TAX AND PERSONAL PROPERTY TAX CONTRASTED.

Now, we have in the personal property tax a tax which grows in disfavor, as it year by year becomes more and more unsuitable to our industrial situation. In the income tax, on the contrary, we have a tax which is congenial to the spirit of democracy, and which tends to become more general as the masses acquire power; a tax which, wherever it has been honestly tried, is administered with increasing ease and justice, and which grows uninterruptedly in popular favor. The present income tax in England was introduced as a temporary measure by Sir Robert Peel, in 1842. Its object was to raise funds "to relieve trade and commerce from the trammels by which they were hampered and bound." It was imposed first for four years, but was continued from time to time. The reform in the tariff was begun and carried out in connection with the taxation of incomes, but for a long time it was intended ultimately to abolish the income tax.

[1] The commissioners were Messrs. John P. Poe, Summerfield Baldwin, Richard T. Ely. Mr. Charles M. Armstrong was appointed secretary of the commission. The commissioners were appointed in 1885. The report was made in 1886.

[2] The State Tax Commission consisted of Messrs. John P. Poe, Charles M. Armstrong, secretary, James Alfred Pearce, James McSherry, and Richard T. Ely. They were appointed in 1886 and made their report in 1888. The bill drawn up by the state commission was killed by corporation attorneys.

As time went on, however, and it was learned how to assess it with an increasing approximation to perfect justice, it was finally decided to keep it as a permanent part of the English financial system. The experience of republican Switzerland and monarchical Prussia appears to be equally favorable to the income tax.

It is not meant to assert that the income tax is a perfect tax. No tax is. One who desires may discover evidences that fault is found with it in the countries in which it exists. Nevertheless, one who asserts that it does not meet with increasing approval where it exists, seems to me strangely ignorant of the facts. The reader is referred to the foreign literature of taxation. Nearly all Americans who have given the subject of taxation attention, and who can make the slightest claim to be considered authorities, reject the personal property tax as unjust and impracticable. On the other hand, I know of no recent writer in any country, where an income tax has long been in force, who does not approve of it. The test of experience has been decisive in both cases. John Stuart Mill speaks of an income tax in his "Political Economy," which was written when the present income tax in England was new, and the impression which one gathers is perhaps unfavorable to the income tax, because, as the "practical" Englishman says, it is theoretically excellent but does not work well in practice. Mill's follower, Fawcett, whose general principles would be more unfavorable to an income tax, has evidently been convinced by experience that it is, as taxes go, a just and fair tax in its actual workings, and he favors it in the sixth edition of his treatise "Manual of Political Economy," published in 1883. The contrast between income and personal property taxes is thus most striking. The longer the latter last, the worse they become, and the smaller the favor with which they are regarded; the longer the other continue,

the better they work, and the greater the favor with which they are regarded. The income tax is a tax adapted to the needs of modern states.

Our federal income tax excited annimosity on several accounts. First, an income tax is more suitable for a state than a federal government, because a federal government is something far off, and the different amounts paid by various sections produce irritation and ill-will.

Second, designing men purposely made it ridiculous, so as to render its abolition easier; and the law was always full of needless imperfections in its details.[1] Third, it met with special disfavor in some parts of the country, as in Maryland, it is probable, because it was levied to carry on a war which was not popular.

AN INCOME TAX MUST BE A STATE TAX.

An income tax is not suitable for a city, because it must then act like our personal property tax and drive people from cities to suburbs. Most cities in America are surrounded with a "tax-payers' paradise," or a suburb to which the wealthy resort, in order to escape the payment of taxes in the cities where they gain a livelihood. These people would similarly escape their fair share of the income tax. If any one will take a map of the United States and examine the situation of our great cities, he will find that there are comparatively few who could leave any American common-

[1] Before the final stage of absurdity was reached, it worked, after all, far better than many would have us believe, and it answered the demands of economical administration, for it was the cheapest tax to collect among all the federal taxes, with the single exception of the taxes on national banks, which cost nothing to collect. It did not cost over two per cent., while the general average cost of collection was between three and four.

wealth to escape a tax. New Yorkers might move to New Jersey, as some do, but there would be no general exodus to escape a light income tax, say one of one per cent., which does not exceed a property tax of one-twelfth of one per cent. Comparatively few change their states willingly, because the ties to one's state are more numerous and stronger than to one's city. Moreover, the relief to business and property which would come from a proper income tax would be so great that ten would be drawn to any state levying it for one who would leave.

ASSESSMENT OF AN INCOME TAX.

An income tax for state purposes is therefore to be recommended, because, while it is suitable for neither a municipality nor a federal government, it can be assessed and collected with comparative ease in a state, and because, while it is not perfection, it comes nearer to it than do most forms of taxation. There are various methods of assessing an income tax. One is self-assessment; another is assessment on part of officials, with the right of a tax-payer to protest and show that his income is less than it has been assessed. It is not clear what heed should be given, in these days of publicity, to the objection against publicity of income. How can that be worse for a man's credit than our various mercantile agencies, with their estimates of the credit of every business man? Practically, where the income tax exists, this matter seems to occasion little difficulty.

It has also been suggested that it would be a good thing to make people disclose their incomes, as it would remove the temptation to many to pretend to be richer than they are, and to spend money which they cannot afford.

However, if it is desired to avoid publication of incomes, and this seems on the whole desirable, there would seem to

be no reason why this should not be done. Sometimes it is stated on personal property blanks that the returns are not open to public inspection.[1] A similar arrangement might be made with reference to returns of income tax, and probably a combination of the self-assessment plan and the assessment by tax officials would work best.

There are many evidences of income. In cities the rent which a resident pays in certain streets usually bears a given ratio to income. In England the rent paid by a farmer is supposed to be twice his income. There is, no doubt, a tolerably constant ratio between rent and income of farmers in different parts of the United States, and if this ratio is not always the same, it must be remembered that a rough kind of justice is the best which can, in these matters, be attained. If a man owns the farm which he is cultivating, this makes no difference, for its annual rental value can be assessed, and that added to what would be a tenant's income.

Corporations can be made to pay the income tax on all dividends and interests, also on all salaries. States and municipalities can easily deduct the income tax from interest on all bonds. Each tax-payer can then be allowed to deduct the tax already paid. It is, of course, necessary that the blanks to be filled out, define income accurately. It is what one has for expenditure from all sources, property, business, and profession. To deduct house rent is absurd. Income is for the purpose of paying rent, as it is for defraying other expenses. Where a tax-payer owns the house which he lives in, its annual rental value must be regarded as a part of income. It is impossible to go into details in this place, for space does not admit of it. The works referred to in Part I. will give details. Reports of the English com-

[1] In Massachusetts, for example.

missioners of internal revenue give full information about the English income tax. The third volume of Dowell's "History of Taxation and Taxes in England" explains the peculiar features of the English income tax and presents a sketch of its history.

If it is decided not to make the returns of income public as a guarantee to the public, the Georgia plan of laying returns of income tax before the grand juries of each county and municipality might be adopted, not with any view to the institution of criminal proceedings, but for the purpose of revision.

Mr. J. R. Lamar, of Augusta, Georgia, an excellent authority, has had the goodness to explain the actual workings of this feature of taxation in Georgia: "The provision requiring the tax digest to be laid before the Grand Jury for inspection is more valuable in what it prevents being done than in what is done by the Grand Jury itself. Many men, knowing that the tax digest is to be examined by the Jury, make fuller returns than they otherwise would, and many a tax-receiver of returns who would accept from his friends and allies a very meagre showing is much stricter when he knows his work is to be inspected by the grand jurors who are more or less familiar with the financial standing of most tax-payers. While not frequently the case, there are many instances where they do add to or take from assessments. I know of no other state having this provision as to the Grand Jury. It is not exhaustive, nor a sufficient requirement by itself, the jurors generally having far too short a time to be able to give it full attention. It works well as far as it goes, and is a good check on officers who might otherwise favor their friends and oppress their enemies." This plan might be extended or some similar plan adopted for the control of

income tax returns. It will not be found difficult if an honest effort is made to provide satisfactory guarantees.[1]

SUFFICIENCY OF A LOW INCOME TAX.

The income tax, in my opinion, should be a variable tax on all incomes in excess of $600, but only on the excess in every case. The income tax should be high enough each year to meet all deficiencies from other sources. I estimate that in Maryland it need never exceed one per cent., which is hardly more than equal to a tax of one-twelfth of one per cent. on property. In the year 1866 Maryland paid to the federal government over $1,700,000 in income tax, or nearly enough to meet all the expenses of our state government at present. Of this sum over $800,000 was the return from the five per cent. tax, which would be $160,000 for each one per cent.; but, as in the arithmetic of taxation, two and two sometimes make only one, so it may be expected that in the case of an income tax, if you reduce the rate, the returns will not diminish in the same proportion. It is then safe to calculate that a one per cent. tax on those incomes

[1] Hon. William A. Wright, Comptroller-General of Georgia, has kindly written me a letter on the examination of tax returns, which reached me some time after I received Mr. Lamar's letter. The following extract is made from Mr. Wright's letter: "The grand juries in most of the counties of this state bestow but little time upon the examination of their tax digests. The reason for this is that their time is entirely taken up in other matters that *cannot* be neglected. If our laws were so amended as to permit the juries to sit a sufficient time after the adjournment of the court to investigate carefully the tax returns of their counties, I am satisfied it would result in bringing up the value of the property of the state at least fifty per cent. In many of the counties the work is done very thoroughly, and the digests show the effect of the work in increased valuations."

would yield one-third as much as a five per cent. tax, or $267,000.

The sum of $987,534.41 was the proceeds of a ten per cent. tax on incomes over $5000. A one per cent. tax would probably have yielded one-fifth as much, or about $195,500. The two sums added equal $462,500. The $500 was not deducted in each case. On the other hand, wealth and population have increased,[1] and there is not the bitter opposition to the state government which existed in many minds against the federal government. I therefore estimate that a one per cent. income tax at the present time could safely be relied upon to yield $500,000, which would be ample, with other revenues, to meet the deficiency due to the exemption of real estate from all state taxation.

There can be no difficulty in raising all the money which our states need, by means of an income tax, together with all other sources of revenue described. The total amount raised by the federal income tax in 1866 was $61,071,932.25, and in 1867 it was $64,984,437. The direct state tax in Massachusetts yields less than one and a half millions of dollars; the federal income tax in 1867 yielded $8,849,753. The direct state tax in New York during the year ending Sept. 30, 1887, brought into the state treasury $5,805,400, whereas the income tax in 1867 yielded $20,107,547. Similar results may be secured by comparing other states which were both in 1867 and in 1887 in a normal condition.

[1] Population has increased over one-third, and there is reason to believe that the number of those with taxable incomes has increased in like proportion. One of the most astonishing things about a city like Baltimore at the present time is the vast number of families living in great comfort. One can walk through miles of streets on which reside families with incomes varying from $1500 to $10,000 or more. Other facts all point to a large increase in the number of families with incomes in excess of $600.

The total amount raised by state taxation is about $65,000,000, according to the American Almanac. This evidently includes more than the direct state tax. Besides, it must be remembered that the Southern states were impoverished and made insignificant returns of income. Population and wealth have increased enormously since 1867. There is much that is illusory about the alleged prosperity of 1866 and 1867. Many were making money rapidly, but many more were suffering privation. The number who have incomes exceeding $600 must be far greater than twenty years ago.

THE INCOME TAXES IN AMERICAN STATES.

Two states levy general income taxes now. In Virginia, on income derived from interest or profits, the amount in excess of $1000 is subject to a tax of one per cent. The proceeds from this tax amounted in 1886 to $20,755. In Massachusetts it is provided that income from annuities, from certain ships and vessels, and so much of the income from a profession or trade or employment as exceeds the sum of $2000 shall be taxed; but it is further provided that no income shall be taxed which is derived from property subject to taxation.

PENNSYLVANIA LEVIES AN INCOME TAX ON SPECIAL KINDS OF INCOME.

In Pennsylvania an income tax of three per cent. is levied on the income or net earnings of all corporations,[1] foreign insurance companies,[2] and on every private banker and

[1] Except those liable to a tax on capital stock or gross receipts.

[2] Foreign insurance companies pay three per cent. on premiums received for business transacted in the state.

broker, or unincorporated banking and savings institution, and express company. The receipts from this source in 1887 were $81,596.92 out of a total of $7,646,147.37.[1]

The constitution of North Carolina forbids an income tax on income derived from property already taxed. Charlotte, in that state, levied a tax of one per cent. on all incomes, the sources of which are not already taxed. All this income tax legislation is far from what it should be. Massachusetts exempts $2000 and income from property already taxed, which must make it a farce. In no state does the income tax occupy an essential position in its scheme of taxation; and this it must do to fulfil its proper functions and to work satisfactorily. All incomes above a moderate sum, like $600, must also be taxed without exception. The moment exceptions are allowed, the difficulties of administration are increased, and the door is opened for fraud.

ALL INCOMES ABOVE A MODERATE EXEMPTION SHOULD BE TAXED.

An income tax must be assessed on all income regardless of source, even if that source has already been taxed. Taxes may be divided into taxes on property or things, and taxes on incomes. A tax on property is a tax on things. A piece of land as such must pay a certain tax, — a sort of first claim on its revenues, regardless of ownership by A., B., or C. An income tax is strictly a personal tax. It asks, How much income has this man? It is regardless of any particular source, but includes all sources. Business expenditures and taxes are excluded from income, but personal expenses, as for rent, food, clothing, etc., are included,

[1] See Worthington's "Historical Sketch of the Finances of Pennsylvania," pages 89, 90.

because it is for these purposes that income exists. If a man occupies his own home, its estimated annual value is part of his income.

Property-owners are at first inclined to object to what they call double taxation. They are the last ones who ought to object, because the very purpose of the income tax is to relieve them. One of the conditions of its successful operation in the taxation of all income, and the one whose income is wholly from property will find his tax reduced, because income tax and property tax together will amount to no more than the property tax now. The larger the amount raised by the income tax, the less the amount to be raised by a property tax. It is also acknowledged that income derived from a permanent source — property — ought to be taxed at a higher rate than income from a temporary and precarious source, — one's personal knowledge, skill, strength, — because all of the former income may be spent, while a part of the latter must be saved for future needs and contingencies. A professional man with an income of $10,000 a year, and nothing else, must lay by something for old age, for life insurance, for education of children, etc., while the man with $10,000 a year from United States bonds can spend it all and know that in case of death or disability his income continues. He can also increase his income by personal exertions, if he will. Now, account of this difference is taken in the fact that provision is made for the taxation of property from which income is derived. The man who has only income cannot complain, for the man whose income is derived from property pays a higher tax. The man of property is the last one who ought to complain, for his taxation is lessened.

Let us see how this would affect the farmer.

Let us say a man has a farm worth $10,000 in Maryland.

f it yields $1400 a year, that is doing well. If his taxes are ne per cent., that would be $100 a year, of which $18.75 ould be for state purposes. This latter sum would fall way under the scheme of taxation here elaborated, and an ncome tax of $8.00 would take its place, for this is one per ent. on the excess of income over $600. The farmer would ave the difference between $18.75 and $8.00, or $10.75, hich would be paid by the income tax on those who are ow inadequately taxed. But this is not all. The system of axation here elaborated might be expected to reduce local urdens, and I hope, in Maryland, on an average by about ne-fifth. The farmer would then save an additional $16, or total of $26, reducing his taxation from $100 per annum o $74 per annum.

PROGRESSIVE VERSUS PROPORTIONAL TAXATION.

The question of a progressive rate of taxation has been uch discussed. One of the ablest arguments for a pro-ressive rate is thus stated by Montesquieu in referring to the olonian taxation in Athens: "The tax was just, though it as not proportional. If it did not follow the proportion of oods, it did follow the proportion of needs. It was judged hat each had equal physical necessities, and that those ecessities ought not to be taxed; that the useful came ext, and that it ought to be taxed, but less than what was uperfluous; and lastly, that the greatness of the tax on the uperfluity should repress the superfluity." [1]

It might then seem just to have three rates of taxation: ne for incomes, sufficient to furnish necessities; one for hose sufficient to provide the useful; and one for those arge enough to warrant luxuries.

[1] From Walker's "Political Economy," 2d edition, page 498.

Another reason for a progressive rate of taxation is found in a principle thus stated by Prof. W. G. Sumner: Taxation tends to diffuse itself, but on the line of least resistance.[1] Now, the line of least resistance is found among the poor, the line of great resistance among the rich; whereas the line of moderate resistance will be found among people in moderate circumstances. Proportional taxation is always found to be regressive taxation; in other words, the power of resistance on the part of wealth is so great that it never pays its fair share. Tax-assessors fear to assess the wealthy as they do the poor, because the wealthy have great power to harm or help one. In no place in the United States are the wealthy properly assessed. Moreover, the various devices, like bond purchases, by which the wealthy escape, are not practicable for men of small means, as they would be too expensive. Again, those who have large wealth are better informed on business methods and tax-dodging schemes. This does not imply that any one class is either better or worse than another. It is a question of the power of resistance. The poor people and the people in moderate circumstances would often be but too glad to imitate conduct which they condemn, had they the power. It may be urged that a nominally progressive tax would, after all, be no more than proportional in actual practice. Progressive taxation would be resisted so strongly that in a country where wealth is so powerful as with us, it is Utopian to think of it. It would arouse animosity and bad feeling if attempted, and it seems far better to confine ourselves to efforts to approximate proportionality as nearly as possible. We shall be likely to fare best under this system. It appeals to the conscience

[1] From an excellent article on "Recent Experiments in State Taxation," by Henry James Ten Eyck, in *Popular Science Monthly* for February, 1886.

of people, whereas progressivity does not at present appeal to the conscience of the majority of our people as just and fair.

One objection frequently urged to progressivity, is that a progressive rate of taxation will sooner or later amount to confiscation; that if you take one per cent., say, on incomes of $1000, two per cent. on incomes less than $2000, and continue to increase the rate, you must finally take one hundred per cent. or all. The fact that this objection is so frequently urged by political economists, does not do credit to their mathematical ability. If the rate of taxation increases only in arithmetical ratio, while the income increases in geometrical, the rate may progress and yet never be high. If the rate increases as 1, 2, 3, 4, 5, and income taxed as $1000, $2000, $4000, $8000, the rate would not be fifteen per cent. until the income exceeded eight millions of dollars, and it is safe to say that never in the world's history would it reach twenty per cent.

It is frequently urged that the opposition to an income tax is so strong that it is out of the question to talk about it. This is an unwarranted assumption. There is a very general feeling in favor of it. I heard from four professors of political economy about my report as tax-commissioner, and every one expressed himself favorably in respect to the income tax. I was invited to appear before representatives of the Board of Trade, of the Corn and Flour Exchange, and of the Merchants and Manufacturers' Association, of one of the largest cities in the United States, to explain my system of taxation, and not one objected to the income tax. One prominent member said: "While I am not prepared to turn it down, I want more time to think about it." Another said: "You know, gentlemen, I never objected to the federal income tax. It always seemed to me right that a man

should pay in proportion to his income." A third prominent business man came to me at the close of the meeting to say that he thoroughly indorsed my position. This personal occurrence is cited because it is believed to be worthy of notice. For one who has objected to the income tax feature of my report to the Maryland legislature, nine have expressed approval of it. When tax reformers begin to turn their attention to the income tax, they can carry everything before them, and one-tenth of the effort which has been expended on personal property taxation would suffice to build up a satisfactory machinery for assessing and collecting an income tax.

The following is a quotation from a letter from a county court judge of New York: —

"I have examined with much interest your 'Supplemental Report' to the general assembly of Maryland on 'Taxation.' I most fully approve of the scheme recommended therein. The suggestion that real estate should not be taxed for state revenue, but for local revenue only, is new to me. On such consideration as I have had time to give the question, it seems to me wise, and it would obviate in a large degree one of the most serious difficulties we have in securing a just equalization of taxation upon real estate in the state of New York.

"I have been for many years most earnestly in favor of a graded income tax, with a $500 exemption. I should not object to a $600 exemption. I also believe in a graded inheritance tax on all legacies, devises, distributive shares and successions exceeding $500; also a tax upon income of corporations, especially those corporations whose business secures 'increasing returns,' and with reference to which the laws of competition cannot have free play.

"All other revenues, it seems to me, should be incidental, and not laid with direct reference to revenue."

The following quotation from a letter, like the previous, deals with other parts of this work as well as the present chapter, but it is better to put it in one place than to separate it into parts according to topics. It is of interest on account of the subject-matter, and also on account of its author, who now occupies a distinguished position, and was once a justice of the supreme court of one of our larger states: —

"Accept my thanks for a copy of your 'Report upon Taxation.' Some of its suggestions are new, others have been subjects of speculation with me during my life. With your criticism upon the attempt to tax personal property, including money and credits, I fully agree. It is always a failure, oppressive to the honest, and very seldom reaching the dishonest. But my mind is not settled as to the expediency of abandoning it altogether. I also agree with you as to the policy of taxing incomes. It is the fairest tax that can be devised, *provided* the amount of the income can be reached. Here is the rub, and it seems to me that you hardly appreciate the difficulty. . . . I should like to see such a tax made part of our system, and I would not object to such inquisitorial machinery as should secure the truth, so hard to be reached. And I would make positive that which you only suggest, that is, I would make the tax cumulative. While revenue is the object of taxation, still other things must be taken into consideration. All governmental power should be so exercised as to promote the general welfare as well as the immediate object of the power. I look to the taxing power as furnishing the means to partially remedy the great evil of vast accumulations of property. As it is, those who thus accumulate pay comparatively less

taxes than their poor neighbors. A small tax may be, often is, oppressive to the latter, while a large one in no way discommodes the former. A tax of $10,000 upon an income of $50,000 is no burden whatever to the tax-payer, while it is a blessing to the community in discouraging such accumulations. I would assess the cumulative tax upon land, upon incomes, upon everything that is taxed; and I would treat everything made by stock-gambling as so much income.

"Have you ever thought of the propriety of a tax upon rents as such? Our land titles are in theory feudal, in England actually so. The lord paramount divides up the land among the great lords upon condition of military services and payment of dues. These lords divided it among their followers upon similar conditions. This return of services, and these payments were the rent, — the *redditus*, — and were the only consideration for the land thus given them. The early struggles between the king and nobles pertained chiefly to rent, the latter seeking to hold the land and get rid of the rent, while the former sought to increase uncertain burdens. The result has been, in the development of the English constitution, that the great holders have got rid of their obligations entirely, own the land discharged of rent, while the common people who hold under them have had their rent doubled, quadrupled, and more. As knight service and other dues can no longer be rendered and paid, in order to carry out the spirit of the original gift, every great landlord should pay into the king's treasury one-fourth to one-half of all the rent he collects. That would be his feudal due, for that which he holds free from the dues he contracted to pay. The same historical reasons do not exist with us, but the state is the lord paramount, owns the allodium of all lands, and has a claim upon the soil over and above the right to tax all property. I can now only hint at

the matter, but it seems to me that there is a reason for taxing rents, incomes from land not depending upon the labor of the owner, not applying to personal property or to income derived from labor or business.

"All public works in which the people are all interested should be owned by the state, the United States, or the municipality. Much could be said upon this.

"You present strong reasons for separating the state from local revenue, and in some states it can be done. If incomes are taxed, it perhaps can be in all. There is certainly great injustice done by unequal valuations of the same kind of property."

CHAPTER VIII.

TAXATION OF INHERITANCES AND BEQUESTS.

INHERITANCES will be used in this chapter to denote property which comes to one from the estates of decedents by course of law, without a will by former owner. Property of any kind which comes to one by last will or testament, or by gift to take effect after the death of the giver, will be denoted by the word bequest. Bequest has reference to testates and to testate estates; inheritance, to intestate estates and to intestates. This is a distinction by no means universally observed, but precedent is found for it in John Stuart Mill's treatise on "Political Economy,"[1] and it is a convenient distinction for present purposes.

"The institution of property," says Mill, "when limited to its essential elements, consists in the recognition in each person of a right to the exclusive disposal of what he or she has produced by his or her own exertions, or received, either by gift or fair agreement, without force or fraud, from those who produced it. The foundation of the whole is the right of producers to what they themselves have produced."[2] This includes the right of bequest, but not the right of inheritance. What right have I to property which another produced and which he did not leave to me by will? I have only such legal rights as the law gives me. I have no moral rights exceeding those which the law may give me, unless I had

[1] Book II., Chapter II.

[2] Mill, Book II., Chapter II., § 1. All references are to the unabridged edition.

some moral claims upon the owner of the property while he was still alive. A wife has both a legal and a moral claim, and so has a minor child. A child who has attained his majority has no necessary legal claim, wherever the law allows a parent to will his property away from his children. If that law which prevails in America is not in accord with the requirements of ethics, then a child after attaining his majority has an ethical claim. Part of the property of a husband must go to the wife, by the law of American states, and part of it must, in most countries, go to children. The law nowhere compels a man to leave part of his property to collateral relatives, and they can have a claim only when property is bequeathed to them, or when in absence of a will the law gives it to them. What moral claim has a collateral relative in absence of any will? There may be some ethical obligation on the part of an owner of property to assist near relatives, not in direct line of ascent or descent, although it is not usually recognized. It is in rare cases that it extends even to great-uncles and great-aunts and second cousins. Yet it sometimes does extend so far, and a person often has a real interest in a father's or a mother's aunt or uncle or first cousin. No more distant relative can, in our days, when families are scattered and ties of distant relationship amount to nothing, institute any ethical claim to the estate of an intestate decedent. A third cousin, living in a foreign country or even in a distant part of the same country, has less moral right to the property of a decedent than the members of a community among whom he acquired it, and whose diligence, whose co-operation, and whose observance of law and order made its accumulation possible. No purpose is subserved by allowing distant relatives to share an intestate estate. It often results in disgusting squabbles

and costly litigation, and in the end simply gives a few privileged persons a chance to lead an idle and useless life.

It is therefore desirable to abolish altogether the legal right to inheritance of any collateral relative beyond great-uncle or aunt, great-nephew or niece, or second cousins. When a person desires that any more distant relative should enjoy part of his property he should make provision therefor by bequest.

The question may also be raised, What right has a man to say what shall be done with this earth, or anything which pertains to it, after he is dead? Surely the earth belongs to the living, and not to the dead. A man's wishes respecting his wife are of no validity after his death. She is free from his law then. He may desire her to remain a widow, but the law gives no effect to his wishes. His control over his children is also very limited. There has, however, been a tendency to forget that private property exists for man, and not man for private property; and to regard a man's wishes respecting property which he once owned, as sacred, even after death. It is granting a great deal to allow any individual to fence in a portion of the earth's surface, and during his lifetime to say: "This is mine; I shall do as I please with it. No one else shall, unless I will, derive any benefit therefrom." It has, however, been found expedient to grant this right. What, however, shall be said of those who go further than this, and give to me the right to say, for all time, what use shall be made of a portion of the earth's surface, because I once owned it? This is absurd, and such an undue extension of the right of private property endangers the entire institution, giving a handle to those who would overthrow it.

I cannot grant that the dead have any proprietary rights whatsoever. The living have rights. Not the dead man has rights; but his wife, his children, his relatives, and the com-

munity. Nowhere may a man say absolutely what shall become of his property. His wife has claims which he cannot disregard. In France, his children may claim the whole of it save what would be equal to the share of one child. The right of bequest has for many ages in many parts of the world never existed at all. A liberal right of bequest has been granted in recent times, but the only reason therefor is public expediency. This right must be limited.

It follows from this that the right of inheritance should be extended in some instances and abridged in others. The law in American states does not recognize sufficiently the moral claim which a man's children have upon his property, a claim founded in the fact that he has called them into being and ought therefore to put them in a position to lead a happy and useful life. This would not necessarily carry with it the right to inherit millions, least of all in the absence of a will, but of enough to give one a reasonable prospect of a happy, useful, and successful life, and this amount would vary with one's rank and station in life.

It may further be said that those who receive property by inheritance or bequest require in special degree the assistance and protection of government; that the orderly devolution of property in consequence of a death is impossible in the absence of a government which maintains law and order.

Inherited money is an income without labor on the part of the receiver, and may properly be made liable to a tax even in excess of the ordinary income tax. It is a tax which can be collected easily, and this is one reason for such a tax.

It is in consequence of these, and other reasons, that taxes have been laid on inheritances and bequests, and it is proper that collateral inheritances should be taxed at a

higher rate than direct inheritances; inheritances, that is, in direct line, either ascending or descending.[1]

The Maryland law taxes collateral inheritances over $500, at the rate of two and one-half per cent. It is stated in these words in a "Synopsis of the System of Taxation for State and Municipal Purposes in Maryland," prepared by the Tax Commission of 1881: —

"The real estate, personal estate, mixed property, money, public and private securities located in this state and passing from an owner dying, seized thereof, or transferred by deed, to take effect in possession, after the death of the grantor, to any person or corporation, in trust or otherwise, except to or in trust for use of father, mother, husband, wife, or children, and lineal descendants of grantor or intestate, subject to a tax of two and one-half per cent. on every $100 of the clear value of such estate, provided that no estate under $500 value shall be subject to this tax.[2]

"When property liable to this tax is other than money or real estate, the tax thereon shall be paid on its appraised value, and the executor or administrator shall have power to sell the same under the order of the court, if necessary to pay such tax.[3]

"When real estate is subject to this tax, the same persons appointed to appraise the personal estate shall be appointed to value all the real estate of the decedent in this state, and this tax shall be paid upon such appraised value.[4]

"Such tax shall be a lien on the real estate of the decedent from the time of his death.[5]

[1] Inheritance in direct ascending line, except father and mother, is, in Maryland, regarded as collateral.

[2] A. A., 1874, chapter 483, section 113; and A. A., 1880, chapter 44.

[3] A. A., 1864, chapter 483, section 115.

[4] Section 117. Section 124.

"Whenever any estate, real, personal, or mixed, of a decedent shall be subject to this tax, and a life-estate or term of years, etc., is given to one party, and the remainder or reversion to another, the orphans' court to determine what portion of the tax the respective parties in interest shall pay."[1]

New York and Pennsylvania have a five per cent. tax on collateral inheritances.

Maryland has a tax which in its practical operations amounts to a tax on direct inheritances. It is a tax of one-tenth of all commissions allowed executors and administrators; and legacies, left executors by way of compensation, are to be reckoned in the commissions. Executors of non-residents owning any state or city stock, or stock of any corporation, are liable to the tax just as domestic executors are. This tax yielded in 1887 $50,854.47, whereas the collateral inheritance tax in that year yielded only $45,597.14.

It seems to me that a distinction should be made between large and small collateral inheritances. The Maryland tax is sufficient on small estates, but on estates exceeding $20,000 in value the New York and Pennsylvania rate is not too high. It might be proper to raise the rate of the tax to ten per cent. on estates in excess of $50,000. This tax should be laid on all collateral inheritances and bequests; but the right of distant relatives to receive intestate estates should, as already stated, be abolished altogether, and these then allowed to fall to the state by escheat.

A direct inheritance tax is generally regarded as a proper accompaniment of an income tax; and when moderate in amount is a just tax, which can always be assessed fairly, and collected without difficulty or considerable expense.

As the income tax contemplates an exemption of $600,

[1] A. A., 1880, chapter 455.

it is proper that the direct inheritance tax should exempt a sum, which, at five per cent. interest, will produce $600, or $12,000. In my report to the Maryland legislature I recommend, therefore, that all direct inheritances exceeding $12,000 be taxed on the excess of the inheritance over said sum at the uniform rate of one per cent.

Although I am not prepared to recommend it at present, it would be in accord with the principles of Jeffersonian democracy, and also with the teachings of some of the best modern thinkers on economic and social topics, to grade the tax, making it two per cent. on estates from $100,000 to $200,000; three per cent. on estates from $200,000 to $400,000; four per cent. on estates from $400,000 to $800,000; five per cent. on estates from $800,000 to $1,600,000; and so on, the tax reaching ten per cent. in case of estates of $50,000,000, and the progression terminating therewith. It would seem desirable that the higher rates should in each case be charged only on the excess above the sum taxed at the lower rate. Thus, if the tax is two per cent. on estates from $100,000 to $200,000, and three per cent. on estates from $200,000 to $400,000, the three per cent. should be charged only on $200,000, while $100,000 should be taxed two per cent., and $88,000 one per cent.

This tax could embarrass no one, being only $10 on $1000, and in case of an estate of $20,000, equalling only $80, as only $8000 of the excess over $12,000 would be taxed. It answers the requirements of every canon of taxation.

One of the principles which controlled the action of Jefferson and other founders of this republic, was the abolition of hereditary distinctions and privileges, and their aim was to force each one to rely on his own exertions for his own

fortune, desiring to give to all as nearly as practicable an equal start in the race of life.

It has also been urged by others that one of the most dangerous tendencies of our times is the increasing aggregation of wealth in a few hands. This scheme is a slight corrective, which is in harmony with the spirit of our institutions.

Other far more radical measures have been proposed by conservative men. A committee of the Illinois Bar Association recently reported favorably[1] on a proposition to limit absolutely the amount any one child may inherit to $500,000, and the amount any one else may inherit from a single estate, to $100,000. In their report they say: "There never was a time in the history of the world when the power of money in skilful hands was so great as the present; or when the use of that power was made so conspicuous. The new forces at its command are augmenting it with wonderful rapidity. Already the sceptre has passed from the sword to the counting-house. The fact that one individual may monopolize hundreds of millions of the wealth of the nation and pass it at last by will to another, with all its possibilities, is a growing source of uneasiness among all classes of society." I will express no opinion on this quotation, but simply remark that rightly or wrongly, it was precisely this sort of thing which the founders of our republic tried to prevent in America.[2]

With the inheritance tax it is proper to connect measures for the better control of income tax returns. A suitable provision is a law laying a penalty on the estates of dece-

[1] January, 1886.

[2] The limitation of the right of persons to dispose of property by will, is ably advocated by Judge E. A. Thomas, of Pennsylvania, in the *Forum* for December, 1886.

dents who have manifestly made false returns, equal to five times the estimated amount of income tax fraudulently withheld at the time of the last payment of the income tax.[1]

[1] The special student will do well to read on this topic, in addition to the literature mentioned in Part I., Judge Thomas' article "About Wills and Testaments," in the *Forum* for December, 1886; Mill's "Political Economy," unabridged edition, Book II., Chapter II.; "Erbschafts-steuer und Erbschafts-reform," by Professor von Scheel, Jena, 1877; and Jacobson's "Higher Ground," Chicago, 1888. Part IV. contains the New York law for the taxation of collateral inheritances, the report of the law reform committee of the Illinois Bar Association, on "Reform in the Statutes of Descent and Wills, so as to insure a more General Division of Property among the People," and the bill of this committee which was introduced in the Illinois legislature. The legislature is competent to decide what use shall be made of the proceeds of the tax on bequests and inheritances. It may be used for general or special purposes. It might be well to set it apart for some such purpose as the improvement of public schools, and perhaps also of public highways, both of which are in abominable condition in nearly all rural districts in the United States. Schools and streets in cities also stand in need of improvement.

CHAPTER IX.

BUSINESS TAX.

BUSINESS should as a rule be left as free in its movements as possible, and in view of sharp interstate competition, the burden of taxation should be made as light as possible. Our commerce and our manufactures should be fostered, and on account of exemptions in rival ports, our shipping deserves special consideration, for it will leave us otherwise. Registered vessels engaged in foreign trade might, it would seem, with propriety be exempt from all taxation on their value, and be taxed only on earnings, as is the case with this shipping in Rhode Island and New York, and as was recommended in Connecticut by the tax commission's report of 1887. Vessels engaged in coastwise trade appear to require less aid, as they are not subjected to foreign competition, but care should be taken not to burden them too heavily. Perhaps some plan for taxing them on earnings might also be devised. It is to be observed that in New York City and elsewhere, although the laws impose taxation upon business, the actual practice does not.

The last message of Hon. A. S. Hewitt to the New York city council, dated Jan. 10, 1888, deals with the subjects of taxation, and is important for us in three respects. First, it reiterates what has been said about the injustice of our system of taxation. "The estates of widows and orphans and wards in chancery pay the full amount of taxation required by law, although in most cases it can be least afforded,

while 'bloated' capitalists either entirely escape taxation or compromise for a very inadequate sum. This condition of affairs is scandalous." Second, it advocates exemption of personalty in order to build up the business of New York. It says: "We are now the centre of exchanges in the Western Continent, but in a few years we should be the clearing house for the commerce of the globe." Business men of Maryland and other states should understand that there is a deliberate attempt to draw business to New York by low taxation. Third, it is plainly stated that all attempts to enforce the system thoroughly in New York have been practically abandoned, all law to the contrary notwithstanding. In speaking of complaints about inadequate assessments of personal property which were made with full knowledge of their inadequacy, Mr. Hewitt says: "Under ordinary circumstances it would have been my duty, on being satisfied of these facts, to have removed the commissioners complained of from office. But I could not shut my eyes to the fact that the existing laws had never been executed, and there was no difference of opinion among those who had studied the question, that they never can be executed as they stand in this city."

Our business men in Baltimore must compete with merchants in adjoining states even for retail trade. The value of real estate depends upon the condition of business, and unless business flourishes the laboring population cannot find employment.[1]

The city of Montreal lays a tax on business, which is a percentage on rent, and it works very satisfactorily. The percentage is seven and one-half, and merchandise is exempt. Intangible personal property is also exempt, and the

[1] "The trade of a district may be seriously imperilled if it has to bear disproportional rates." — *Fawcett.*

system seems to give very general satisfaction. Real estate owners do not complain, because they realize that it helps to bring business to the city, and that that raises the value of their property.

A tax of ten per cent. might advantageously be laid on the annual rental value of all stores, offices, manufacturing establishments, and other places of business; and merchandise, plant, and furniture of these places, be relieved of all other taxation. This tax, imposed by general law, could be advantageously left to the local political units to be used for local purposes. Should the needs of the state require it, however, the local political units might be required to turn over to the state treasury part of the revenue therefrom.

CHAPTER X.

ATION OF RAILROADS OPERATED BY STEAM, AND OTHER CORPORATIONS.

RAILROADS.

DISTINCTION should be made in any rational scheme of taxation between taxes on corporations ed in agriculture, manufactures, and commerce, and which enjoy natural monopolies. The latter are *quasi* in nature. There is no reason why ordinary business rations should be taxed differently from individual or rship business. Both can be taxed on the rental of their places of business.

advantageous in taxing corporations of a *quasi* pub- to tax them in proportion to gross revenues, as

in the shape of salaries among themselves; so if profits amounted to $40,000, the president would receive a salary of $20,000, the secretary one of $10,000, and the treasurer one of $10,000. The taxation of gross revenues is simple and easy, and amounts to a tax on the value of the property. A case like this has come to my notice. A street railroad is bonded for a sum equal to all the capital invested. The share capital represents no actual investment at all. Interest is paid on bonds, all the capital invested; yet because there is no surplus for dividends on shares, the officers of the corporation insist that there are no profits! It should be remembered that stocks and bonds added together represent the actual investments. The percentage of tax on gross revenues should be high enough to tax all the property invested properly, and the stocks and bonds should be exempted from taxation. As real estate can best be treated by local authorities, so state officials can best deal with corporations like railroads operated by steam, telegraphs, telephones, sleeping-car and express companies, and these ought to be handed over to the state to be taxed, for state purposes only. This would simplify administration wonderfully and put an end to a vast amount of litigation and corruption.

The Wisconsin method of taxing railroads has been described in a previous chapter. The recommendations of the Maryland Tax Commission are that, in addition to the regular state and county taxes, railroads pay a special license tax as follows: —

"The license rates which we suggest are one per cent. on the first $1000 a mile of gross earnings, or on the total earnings, if they are less than $1000 a mile. Two per cent. on the first $1000 or part thereof above $1000 per mile. Three per cent. on the first $1000 or part thereof above $2000 per mile. Four per cent. on the first $500 or part

thereof above $3000 per mile; and five per cent. on all gross earnings in excess of $3500 per mile."

The report then continues as follows: —

"The reasons for increasing the per cent. as the earnings per mile are greater is, that with the increase of gross earnings per mile, the proportion of the net profits of the roads increases very rapidly; that is, as the business of a road increases, its net profits increase much more rapidly than its operating expenses, because the heaviest expenses of the road are those which must be paid whether the business is great or small. The increase of such expenses is comparatively slight when the business increases.

"The rates we propose are suggested after a comparison of the gross earnings of railroad companies in Maryland with their net earnings. We believe they will require that the companies pay about their fair contributions to the public treasury, and we are convinced they will not be unduly burdensome to the companies."

The Vermont, Wisconsin, and Mississippi plan of taxing gross revenues only, and by state authority, seems to me preferable. If the percentage of gross revenues just given is not sufficient to compel the railroads to pay their fair share of the taxes, it can easily be raised.

The taxation of railroads in Vermont and Mississippi is described in these words in the "Maryland Tax Commission Report": —

"The present statute of the state of Vermont, which has been in force since 1882, is growing in favor, and, although its railroads have less opportunity for large business and handsome profits than the more flourishing of our roads, the tax imposed is somewhat higher than we suggest, being two per cent. on the first $2000 a mile, three per cent. on the third $1000, four per cent. on the first $1000 above $3000

per mile, and five per cent. on all earnings above $4000 a mile.

"The revenues derived by Vermont from its taxes on corporation franchises and privileges are, and have been for years, sufficient to meet all expenses of the state government; and no state tax is imposed upon property, thus leaving to the counties and other local bodies all revenue from that source.[1]

"In Mississippi a license-privilege tax is imposed by the state on all railroads. The statute fixes the sum per mile required of each road, which varies from twenty-five dollars per mile on the Mobile and Northwestern Railroad Company, to one hundred and twenty-five dollars per mile on the Mobile and Ohio and other companies. The license tax imposed by the Act of 1884, was increased twenty-five per cent. by the Act of 1886. This tax is in lieu of all state and county taxes, and two-thirds of the receipts are distributed to the respective counties through which the several roads run, in proportion to the number of miles of road in each county; but cities and incorporated towns may impose the same rate of tax on railroad property within their limits as is levied upon all other property for municipal purposes.

"Hon. George M. Govan, secretary of state of Mississippi, says, in response to an inquiry from this commission: 'The railroad tax works well; it brings a good income into the state. Of course the railroad companies object to it, but they pay it promptly.'"

The tax varies from time to time. The general assembly fixes a rate per mile which it thinks the railroads ought to pay. It is manifestly better to have a more constant tax,

[1] Report of Illinois Revenue Commission, page "x.," 1886

like a percentage on gross revenues, which will itself vary according to the prosperity of the railroad.

The recommendation of the Maryland commission for the taxation of certain other corporations is as follows: —

"CORPORATIONS.

"After a careful consideration of the subject of taxation of corporations we have come to the conclusion that the most practical system under our existing constitution, as well as the most practical, in view of our circumstances and environments, is that in operation in Pennsylvania, called in their financial reports the tax on capital stock, coupled with a gross receipts tax on those corporations which enjoy special privileges under the franchises held by them through grant by the state, or which they are permitted to exercise by sufferance of the state, as in the case of corporations of other states, permitted by comity to carry on business in this state.

"The tax called in Pennsylvania the tax on capital stock is, practically, a tax on the net profits of corporations, laid in such manner as to avoid the difficulty which will ordinarily arise from the effort to tax net earnings, consisting in the facility with which such a tax can be evaded.

"The plan successfully employed in that state is about as follows: If the dividend or dividends made or declared by a corporation during any year amount to six, or more than six per cent. upon the par value of its capital stock, then the rate would be half a mill upon the capital stock for each one per cent. of dividend so made or declared — that is, the corporation would pay a tax equal to one-twentieth part of the dividend, or equal to five per cent. upon the dividends; if no dividend has been made or declared, or if the dividend has not amounted to six per cent. upon the par value of the

capital stock, then the tax is at the rate of three mills upon each dollar of a valuation of the capital stock made according to law.[1] And it is required that any profit made by a company, and added to its sinking fund without a division among its stockholders, shall be treated as dividends divided among the stockholders, and included as a part of the basis upon which said tax is estimated.

"We recommend a similar tax in this state, excepting, however, railroad companies and banks from its operation, because we have already provided for taxing railroads fully, and because it would not be practicable to impose such a tax on national banks.

"Every transportation — telegraph, express, palace, and sleeping-car company — is subjected in Pennsylvania to an annual tax of eight-tenths of one per cent. upon its gross receipts. This tax is in addition to the tax on the capital stock above referred to.

"We recommend that a gross-receipts tax be imposed upon telegraph companies at the rate of two per cent.; and three per cent. upon telephone, express, title insurance, safety deposit and trust companies, parlor-car and sleeping-car companies; and one per cent. on domestic insurance companies; leaving the tax as at present, one and one-half per cent. on the gross receipts of foreign insurance companies. These taxes will, of course, be in addition to the tax measured by the companies' dividend.[2]

[1] "The valuation of capital stock now made by our state tax commissioner would answer for the cases of corporations whose dividends did not amount to six per cent. per annum."

[2] "The state of Vermont imposes the following gross-receipts taxes: Two per cent. on the gross amount of premiums and assessments collected by insurance companies, whether home or foreign, and one-half of one per cent. on all surplus over and above the necessary reserve; but the value of the real estate owned by the company is allowed to

"The reasons for a special gross-receipts tax upon the companies named are obvious. They enjoy large emoluments, which they are only capable of realizing by reason of the grant of corporate franchises from the state, or the permission to exercise such franchises in the state. They collect large sums of money from the people of the state, and, with the exception of the insurance companies, they are, for the most part, absolute monopolies with no competition whatever, and the power to establish their own charges without restraint or appeal, and enrich themselves at their own pleasure; and in the case of some of them, with a comparatively small outlay of capital. It is true that express companies may be said to have, in a limited degree, competition with the railroads over whose lines they run, but this can scarcely be called a real competition, because the character of the business transacted by each forbids much encroachment on the part of the other; and if such encroachment takes place, it is most likely to be by the express company upon the business of the railroad company."

The Pennsylvania system of taxation of net revenues as

be deducted from the surplus before payment of one-half per cent. is required, but not from the gross receipts. A tax of one-half of one per cent. upon the average amount of deposits and accumulations in the savings banks after deducting the value of the real estate owned by the bank. One per cent. upon the average amount of deposits in every trust company, including moneys or securities as trustee under order of court or otherwise, but no other taxes than those just mentioned are imposed upon deposits or accumulations in the savings banks or upon deposits in the trust companies; three per cent. on the gross receipts from express business, telegraph business, or telephone business; and two per cent. on the gross receipts of all steamboats, car, or transportation companies (of course, this does not refer to steam railroads), but the real and personal property used in carrying on the operations of the companies so taxed are exempted from taxation."

of gross receipts, while striving after a nice adjustment
tion, is, for reasons already mentioned, a practice not
o work so well as a tax on gross revenues alone.
uld prefer to raise the rate of the tax on gross rev-
bove that recommended by my colleagues, if neces-
id abolish the tax on dividends, rather than adopt the
omplex system which they advocate. The taxation
rance companies at two different rates, according to
cation within or without the state, never appealed to
desirable, although it is done in many states. Insur-
ompanies are highly useful institutions, and they are
to competition. It is impolitic to place any undue
on them. The disposition to do this, sometimes
sted, ought not to be encouraged. It is better to
pon stricter business methods on the part of insur-
ompanies, and more adequate guarantees that they
fil their contracts as a recompense for their franchises,
o lay heavy taxes on them. They should, of course,
ged to pay their proper share of taxes. In their case
s more reason for limiting taxation to a tax on divi-
or net revenue than in the case of other corporations.
Maryland system of taxing incorporated banks works
They are taxed by the state authority, namely, the
ax commissioner. The actual value of all shares is
ted, and from this the assessed value of all real estate
ucted. The remainder is divided by the number of
and this gives the value of each share for purposes
tion. The bank pays the tax to the state commis-
for the shareholders, and charges it to them. Banks
ay local authorities also and deduct the same from the
ds. The Maryland system requires all corporations
taxes on stocks and bonds, and to charge the tax to
s of stocks and bonds; and this is an excellent and

economical plan which ought everywhere to be adopted. The Maryland Tax Commission speaks as follows of the Maryland system of taxing stocks and bonds: —

"Among the most valuable classes of personal property are the capital stock in Maryland corporations, and the bonds or evidences of indebtedness of such corporations, and of the state; as to these, there can be, and so far as state taxes are concerned is, no difficulty in discovering and valuing them and collecting the taxes thereon, because our system requires the corporation to pay the tax on the shares of the stock owned by the shareholders and a bondholders' tax upon its bonds. There has been considerable difficulty in the collection of local taxes upon the bonds of domestic corporations, because a similar provision of law has not existed as to local taxes on the bonds of corporations. This we propose to remedy by one of the amendments suggested by this commission."

There is everywhere difficulty about the taxation of unincorporated banks, and in some states, notably in Ohio, there has been much complaint on account of the discrimination against state and national incorporated banks. The unincorporated banks return little or no capital, and the private bankers, as those are called who are unincorporated, escape the personal property tax by devices already sufficiently elaborated. This is a grievous injustice, and if no other way can be devised to tax all bankers alike, it would seem perfectly proper to compel incorporation for all engaged in a banking business. Possibly practical bankers might devise some other plan whereby private bankers could be compelled to advertise the full amount of capital employed, and to pay taxes on it like incorporated bonds. Public policy does not consist in discouraging national banks, — the best and safest banks which we have.

It might be well to add a small income tax, or a tax on dividends, as in Pennsylvania, in order to compel banks doing an extraordinarily remunerative business to pay in proportion to their ability. Any invidious taxation of banking institutions is bad policy and injurious to the economic interests of the commonwealth. What has already been said on the proper treatment of natural monopolies should be remembered in connection with the matter in this chapter.

CHAPTER XI.

MISCELLANEOUS KINDS OF PERSONAL PROPERTY

TAXATION OF HOUSEHOLD GOODS.

INSTEAD of entering a man's house to ascertain the value of furniture, plate, works of art, and other household property, or compelling him to make a return of it, I would take the annual rental value of one's dwelling as a basis for taxation. It makes no difference whether a person occupies his own house or not. A dwelling has an annual rental value, and this can be readily assessed. This I would multiply by two, and take this sum as a basis of taxation to be taxed for local purposes at the rate at which real estate is taxed. This would be taken as an equivalent to a tax on the value of one's household effects, and if a person has accumulated works of art, books, and other valuable things in his home, which produce no income, it is a good thing that he is by this plan not compelled to pay a tax on them. It is well to encourage the cultivation of art and the beautification of home. The proposal to tax a man like Mr. Walters of Baltimore, who has accumulated the finest collection of paintings in the United States, on the full value of his art gallery, should meet with no favor whatever. Mr. Walters, in the formation of his gallery, has made himself a public benefactor. He helps to elevate the standard of taste and to cultivate the higher faculties, and the effects of this are felt sooner or later even by the poorest member of the community.

Taxation based on rent involves neither odious inquisition nor domiciliary visits.

EXEMPTION OF CERTAIN KINDS OF PERSONAL PROPERTY.

I would recommend that all unenumerated kinds of personal property be not taxed, and under this head I would include mortgages, promissory notes, book accounts, simple contract debts, and other private securities. Those kinds of personal property which usually escape, and which are paid for the most part only by the unfortunate and extremely conscientious, I would exempt altogether from taxation. Thus the cunning and unscrupulous would not be placed at an advantage over their worthier or less-favored fellow-citizens.

When it is attempted to tax this kind of property, it is generally found desirable to allow an exemption of debt, and by contracting debts for United States bonds, which bonds cannot be taken into account in state and local taxation according to the decisions of our courts, it is possible for any person of means to evade taxes on such property. If a deduction from personalty on account of debts is not allowed, — and to prevent evasion of taxes it never has been allowed in Maryland, — it must work great hardship for those who obey the law. It must be remembered, also, that provision has been made in other recommendations for the taxation of all income, so that the universality of taxation is secured. Taxation of gross revenues involves taxation of stocks and bonds, so there is no need to concern ourselves with them.

The reports of the financial officers of the state of Maryland, so far as I have observed, are not so made that it is possible to tell precisely how much is derived from each species of property; but the Appeal Tax Court of Baltimore

has already been quoted in this report to the effect that the amount received from the property which I would exempt altogether, is, in Baltimore, comparatively small, even if not insignificant.[1] It is safe to say that the amount of such property outside of Baltimore, taxed, must be still smaller, as the city is the chief home of this kind of property. It is not necessary to add much to what has already been said on this subject. However, the question is often asked, Is it not better to reach even twenty-five to forty per cent. of such property than to let it all escape, and are not the burdens of real estate lessened by so much? I unhesitatingly reply, No!

First, it is not better to do injustice to the conscientious and helpless. A person need not be even a believer in revealed religion to expect that a nation or state will be prospered in proportion as its institutions are based on righteousness. This is the lesson of all history.

Second, while the loss will be only small to the tax-payer, on account of the small returns, according to all testimony, of the property in question, — for not all personal property, but only the items mentioned are involved, — the gain from legal exemption would be great. The entire system of taxation would be simplified and the labor of its administration

[1] The proportion of property of this sort taxed in Connecticut to the entire taxable basis in 1885, was only three and three-fourths per cent. The statistics in Part IV. will help the reader to see how small the amount of property which would hereby be exempted. The tax rate of New York City was $2.16 on the $100 in 1887. Yet Mayor Hewitt estimates that if all personal property except bank shares were relieved of taxation, it would be necessary to add only one-sixth to the rate of taxation, as personal property now yields only about one-sixth of the total amount collected by taxation. It will be noticed that the recommendations of this book do not go so far as Mayor Hewitt, because they provide for the taxation of most kinds of property.

lessened. Now, any one who makes any investments in one of these kinds of personal property in question, knows that he will probably escape taxation, but on account of uncertainty, he is obliged to ask a small premium to compensate for risk. I want to borrow money on a promissory note. Well, the lender could let me have it, we will say, for five per cent., if he were certain that he would not be taxed on money lent; but as the tax-assessor may possibly find him out, he says: "I must have one per cent. extra on account of risk. You must pay me six per cent." Thus I come back to my former point. This species of property is practically exempt, as matters are, in most cases, but the benefits of the exemption are fully diffused only in case the exemption is legal. This is not something merely theoretical, but something with which every experienced banker is familiar. Why do federal bonds sell for so high a premium as to produce less than two per cent. on money actually invested? Why do Maryland bonds at 3.65 find ready takers? It is because of tax exemption. Thus not the money-lender chiefly, but the tax-payers receive the benefits of this exemption. A business man who appeared before the Maryland Tax Commission, claimed that purchasers of state bonds paid the highest tax; that the tax was deducted in advance from interest paid. Can any one dispute this proposition successfully? If we, in Maryland, legally exempt this property of a high degree of mobility, we simply promote its tendency to flow in to us, and on account of the greater supply, we can obtain its use for a smaller percentage. The case of real estate is, in this respect, it is manifest, entirely different, and so is the case of the most of the property which it is proposed to tax.

DIFFUSION OF THE BENEFITS OF EXEMPTION.

The diffusion of the benefits of exemption from taxation can perhaps best be seen by a concrete illustration. Any one who in Baltimore walks from Baltimore Street in a northerly direction out St. Paul Street or Calvert Street, beyond the boundary of the city, into the country, will notice a large number of houses newly constructed or in process of construction, and which are offered for sale or rent at far lower prices than such comfortable houses can be obtained for in any other great city in the American Union. It is not too much to say that a house in this section of the city, which can be obtained for $25 a month — a pleasant, well-situated house — could not be obtained in any other city of the size of Baltimore in the United States for less than $50 a month. Now, why is it that so much building is going on and that houses are so cheap? If any one thinks that the exemption of mortgages from taxation is not connected with it, a conversation with a practical builder or banker will probably disabuse him of this idea. As a matter of fact, savings banks would not and could not put their money into such improvements in Maryland if they were taxed. They do this now; but if mortgages were taxed, money now spent in Maryland would go to the West, just as thirty millions of dollars have recently left the state of New Hampshire. Who, then, gets the benefits of this exemption? They are diffused widely through the community. The workingman does, for he has more abundant opportunities for labor, and the taxation of mortgages would be a blow which he would feel. In addition to this, to tax mortgages would tend to raise his rent. The real-estate man derives a benefit as he does from every improvement, for it raises the

value of his land. The farmer is also benefited in a better home market for his produce. The merchant is benefited in larger sales. If the money-lender is benefited at all, his advantage is not greater than that of other members of the community.

CHAPTER XII.

TAXATION OF SAVINGS BANKS, CHURCHES, AND EDUCATIONAL AND BENEVOLENT INSTITUTIONS.

SAVINGS BANKS.

THIS chapter contains a reprint of a part of my special report as member of the Maryland Tax Commission, with a few alterations and a few additional remarks. It is presented in this form because a concrete study is apt to be more effective, and because what is said of Maryland will apply equally well to other states.

Savings banks are to be commended to the special consideration of the legislature. They ought to be fostered in every proper way as preventives of pauperism and crime, and as agents of civilization, elevating the people, rendering them truly independent, and increasing the wealth of the community. Most of the capital they accumulate would either be idle, stored away in old chests or stockings in secret hiding-places, or would not exist at all, but would have been wasted, were it not for savings banks. Very few savings banks exist in the South, and their encouragement is much needed. Nearly all of their deposits are made by helpless or ignorant people not in a position to take care of themselves. The president of the largest savings bank in Baltimore, which has sixteen millions of deposits, estimates that this is the case with ninety per cent. of the deposits of his bank. Over sixty per cent. of the depositors are females

Two dangers should be avoided with special care. One is their suppression by taxation, the other is the removal of their capital from Maryland investments to the West by high taxation. We could ill afford to have thirty millions and more of capital leave us, and yet it would not be difficult to take it away from Maryland.

It must be remembered that they are benevolent institutions, their officers, as a rule, serving without pay.

Their entire exemption has been urged by their presidents, on the ground of public policy. It has also been proposed to capitalize the interest they pay on such deposits over $100 each, as are not covered by non-taxable securities, at six per cent., and to tax this at the usual rate. Whichever plan is pursued it would be perfectly proper, in view of the special favor, to exact of their directors more stringent safeguards than now legally exist for depositors, to make failure as remote a contingency as possible; for the failure of a savings bank is a terrible calamity, and any one who brings it about by culpable negligence, speculation, or dishonesty, richly deserves the penitentiary. I say "more stringent safeguards than now *legally* exist," because, as a matter of fact, there is reason to believe that our Baltimore savings banks have adopted adequate safeguards voluntarily. It is precisely at such a time, when there is no reason for apprehension, that laws governing savings banks should be made so strict in regard to publication of reports and other safeguards as to do all that law can do to render them absolutely reliable. It may be proper to limit the amount of deposits of any one person in order that persons of means may not make an undue use of savings banks. It is also desirable, either by license system or otherwise, to prevent the establishment of unsound institutions by irresponsible parties. Such savings banks in New York and elsewhere have done an immense amount of harm.

With those who would place a high tax on them, or even a higher tax than they now pay, I must disagree entirely; although I readily admit that some of the depositors are wealthy persons, or the children of wealthy parents. While I appreciate the exaggerations of the press in regard to the interpretation of the fact that deposits are large and growing in our savings banks, I hold that any one who fails to give them credit for incalculable good is unacquainted with their practical workings.

Through the courtesy of Mr. Francis T. King, president of the Provident and Central Savings Banks, I am enabled to give statistics in regard to the good work of the Baltimore savings banks. I present, herewith, a letter and a table which he was good enough to send me.

"DEAR DR. ELY: I give the following information with pleasure. All but the Baltimore, Eutaw, and Central savings banks were established before the war.

"1. There are ten savings banks in the city.

"2. There are 105,172 depositors.[1] Deducting residents of the counties, churches, and benevolent associations, and depositors who have accounts in more than one bank, the number would be reduced to 95,000, making a corresponding reduction in the total deposits; the average would not be changed as given below.

"3. The deposits average $297.75.

"4. Since the rate of interest was reduced to three per cent., the comparatively helpless depositors are about ninety per cent., and that class of deposits about the same. There are now very few large deposits in the savings banks, — that is, deposits over $3000. Most of them belong to old depositors who began with small savings. Since the reduction of interest many of the larger deposits have been drawn to pay for small houses.

[1] Rather, number of accounts; but the difference between number of accounts and number of depositors can hardly be very considerable.

"I also submit for comparison the statistics of the banks for discount and deposit, national and state banks.

"1. Number of national and state banks	24
2. Capital	$13,788,760.00
3. Individual deposits	$21,677,286.24
4. Individual depositors (estimate)	21,142
5. Average to each depositor	$1,025.37
6. Deposits of other banks and United States government	$4,234,676.00

"Yours very truly,

"FRANCIS T. KING.

"P.S. Sixty per cent. of the deposits in the savings banks are made by females in their own names or jointly with their husbands."

STATISTICS OF SAVINGS BANKS IN BALTIMORE.

DECEMBER 31, 1887.	NO. OF ACCOUNTS.	FUNDS ON HAND.
Savings Bank of Baltimore	47,270	$16,320,337 16
Eutaw Savings Bank	28,238	8,913,752 61
Central Savings Bank	12,658	2,597,475 27
Metropolitan Savings Bank	2,949	1,430,202 88
German Savings Bank	2,435	927,307 83
Maryland Savings Bank	1,415	426,067 58
Provident Savings Bank	5,421	66,997 66
Hopkins Place Savings Bank	980	110,126 35
Broadway Savings Bank	2,601	301,351 81
Border State Savings Bank	1,205	221,937 08
	105,172	$31,315,556 23

Average per depositor, $297.75.

Mr. King very properly says that "the motto of every savings bank should be *safety;* the rate of interest is a secondary question."

CHURCH BUILDINGS.

The question as to the propriety of taxing church edifices is one which must be discussed from broad grounds of public policy. If it promotes the general welfare to exempt church buildings from taxation, it is perfectly proper to do so.

There are two questions to be asked: Do churches promote the intellectual, moral, and economic interests of the people? Will they be aided in their work by the exemption of the property, used purely for religious purposes, from taxation? All states except California answer both of these questions in the affirmative. While I might not be prepared to advocate a change of the existing system in California, I certainly am not prepared to advocate a change of the ancient custom in Maryland. I concur, however, in these passages from the report of my colleagues: —

"Under the existing law all grounds appurtenant to houses of worship, which are not yielding a revenue, are treated by the assessors as exempted. Therefore, a large lot of ground can be purchased in Baltimore city, a church or chapel built upon one corner of it, and the whole lot held free of taxes, and therefore free of expense until the surrounding property has been improved, and the value of the church's vacant lot greatly enhanced. Church members, who entertain the proper and laudable desire to gratify their taste, or minister to their comfort by means of handsome or costly church property, should do so at their own expense; and it cannot be claimed that religious bodies have any right to enhance their wealth by participating in the increased value of land, which results from the improvement of the neighborhood,[1] without paying the state and county the same taxes paid by

[1] As to the church, this would be called an unearned increment.

others for the benefits of government, which render them secure in the possession of their land. . . . We have believed it judicious to go so far as to recommend the taxation of parsonages and all other church property except the house of worship itself, and the ground necessary for the uses thereof, which we have thought it best, in view of the above-mentioned construction now placed by the assessors upon the law, and similar possible abuses, to limit to ten feet on either side of the building."

EDUCATIONAL AND BENEVOLENT INSTITUTIONS.

I am obliged to withhold my assent from the recommendation of my colleagues in the tax commission, looking to the taxation of the property of incorporated schools, colleges, and universities. Nothing yields so large a return to the tax-payer as this exemption. If the state of Maryland herself had provided her youth with a complete system of schools like Michigan, beginning with the common schools, and by suitable gradation extending up to the magnificent University of Michigan, it might, perhaps, be proper, like California, to tax private institutions, but such a system would cost Maryland at least $500,000 per annum, and this sum is now saved to the people of the state. Until the state of Maryland resolves to provide her own youth with complete instruction in public institutions, it is poor policy to tax those who attempt to supply this deficiency, and thereby confer an inestimable benefit upon the commonwealth.

Washington and Jefferson both emphasized repeatedly, in their various public and private writings, the importance of educational institutions of the highest character, as essential to the welfare of the people and the maintenance of free and enlightened institutions. Washington never ceased to urge upon his countrymen the advantages of a great national uni-

versity, and for the establishment of one he made a donation of his shares in the Potomac Company. In a letter dated March 16, 1795, he uses these words in speaking of his proposed national university: "The time is therefore come when a plan of universal education ought to be adopted in the United States. Not only do the exigencies of public and private life demand it, but, if it should ever be apprehended that prejudice would be entertained in one part of the Union against another, an efficacious remedy will be to assemble the youth of every part under such circumstances as will, by the freedom of intercourse and collision of sentiment, give to their minds the direction of truth, philanthropy, and mutual conciliation." Washington's Farewell Address contains these wise words, which the people of Maryland cannot make a mistake in laying to heart: "Promote, then, as an object of primary importance, institutions for the general diffusion of knowledge. In proportion as the structure of a government gives force to public opinion, it is essential that public opinion should be enlightened."

Jefferson advocated in Virginia the establishment of a complete system of instruction, from common school to university, holding rightly — for all experience teaches it — that common schools must be but poor and indifferent, unless stimulated and elevated by the presence and assistance of superior institutions. Like Washington he exerted himself more actively in favor of the university than for any other part of his educational system. In a report to the General Assembly of Virginia, on the subject of Education, signed by others, but which derived its inspiration from Jefferson — if indeed *he* did not actually write it — these words are found: "In free states, where the government is founded upon, and is the organ of the public will, it is indispensably necessary that that will should be enlightened."

With regard to the contemplated University of Virginia, it is further remarked: "The advantages that will result from the establishment of such an institution are incalculable. At present a great proportion of our youth are sent out of the state, and sometimes out of the United States, for the acquisition of science in general, or with a view to a proficiency in some of the learned professions. Large sums of money are thus annually sent away. . . . The young men of our country thus, by leaving their own state before their judgments are formed, will frequently acquire elsewhere habits and opinions uncongenial with those of their fellow-citizens. Estranged by absence from the customs and principles of their parents and of their ancestors, they return to some degree aliens to their native land. Every enlightened statesman must consider the education of the youth of a country as intimately and inseparably connected with its high prosperity. It is a high and solemn duty, which the government is bound by every consideration of patriotism and interest to discharge." Thus was the University of Virginia established, and to-day the state pays $40,000 a year in taxes for its maintenance.

The university which by the munificence of Johns Hopkins was established in Baltimore more nearly corresponds to the ideas of Washington and Jefferson than any other in the United States. It brings together American youth from every section, and unites them in feelings of a common patriotism. No other institution has done so much to keep our youth in their own country for the highest education, and to prevent that estrangement from their native land so lamented by Jefferson in his day. The highest instruction is never remunerative in the narrow sense of that word, though it in the end pays as nothing else does. The fees from the students of the Johns Hopkins University have not

covered in the past one-tenth of its expenses. To tax this institution would cripple its usefulness, for it lends a hand to gifted but poor young men, destined on account of this timely aid to attain greatness and become benefactors of their kind. Is it indeed desired by the legislature that our highest institutions of learning should be rendered so expensive as to exclude all but the wealthy? Is this worthy of Maryland? Is this the spirit of democracy which is our boast? Some snobs would be glad to see all favors to poor students abolished, and the tuition fees trebled, but do the hard-working people of Maryland desire this? Does Maryland desire the unenviable notoriety of being the only state in the Union, neither to provide a university for its youth nor to allow others to do so without being subject to taxation?

A hospital might also be managed as a money-making institution, but that was never the intention of the trustees of the Hopkins Hospital so soon to be opened. Shall the benefits of that institution also be restricted to those who count their money by the hundred thousand? This would be conduct worthy of those who regard our public school system as ranking with "free soup houses."

These two institutions are mentioned first, because I am most familiar with these; but the other philanthropic institutions for which Maryland is famed would likewise be crushed by taxation, for they were never designed to make money. The Pratt Library,[1] the Peabody Institute, and the new College for Girls, which our Methodist fellow-citizens are establishing, occur at once to the mind. All these insti-

[1] This could hardly be taxed, for it is legally regarded as a public institution, being supported by annual appropriations which the city was induced to make by Mr. Pratt's donation of over $800,000 to the city, in addition to over $200,000 spent in buildings.

tutions bring youth to Maryland, and their families often come with them. Our advantages make our state a favorite place of residence for people of North and South, and to tax those institutions which are our pride and our glory would not only be a humiliating spectacle; it would drive from us many millions of dollars annually, and would increase the burden of taxation by lessening the taxable basis. No part of the community would escape the loss, and many who minister to the wants of those attracted to Maryland by our advantages would be completely ruined.

CHAPTER XIII.

TECHNICAL DETAILS AND ADMINISTRATIVE MACHINERY.

THE administrative machinery connected with the revenues of states and cities is an essential part of the general administration of the country, and the reader might with propriety be referred to works on administration for a treatment of this subject. It is, indeed, impossible to deal with the topic placed at the head of this chapter adequately in this place. A few general principles will be called to the reader's attention, and a scheme for the assessment of taxes in cities and counties will be elaborated.

It is manifest from what precedes that we must make a sharp distinction between the tax officials concerned with local taxation and those concerned with state taxation. Real estate should be left entirely to the former, and be assessed under the supervision of a single county authority, like the county auditor of Ohio. Where cities like Baltimore are in no county, municipal authorities should alone be intrusted with assessment and collection of taxes on real estate. It is desirable in the case of large cities like New York and Philadelphia to indentify completely city and county. It is indeed difficult to tell what such cities gain by the existence of any county government. Its absence has been, I venture to say, an unmixed blessing to Baltimore. State and county administration should each be under one single responsible head. The absence of such a

head is a general complaint among states which do not have one. An officer like the state auditor of Ohio or comptroller-general of Georgia, with large powers, is a necessary feature of good administrative machinery. When such machinery is provided in a county, the fair assessment of real estate throughout the county need never occasion difficulty.

Property ought always to be assessed at its true selling value at voluntary sale, not at forced or auction sale. Any other rule opens the way for an abuse of power, and is certain to lead to injustice. The reasons for such assessment are well stated in these words by the Illinois Revenue Commission of 1886 :—

"The law requires that all property shall be assessed at its fair cash value. Assessors are sworn so to value it; but they are far from doing it. Real estate is generally put down at one-third of its value, frequently much less; and personal property at a yet smaller fraction. If there were uniformity in the reduction, perhaps but little harm would be done, but there is not. The assessor, having forsaken the standard of the law, is without guide or restraint, except his own varying judgment, and subject to pressure of importunate tax-payers, who pull steadily downward. The desire of each locality to avoid the payment of an undue proportion of the state tax would, of itself, be sufficient to explain this tendency to low assessments, and the tendency is intensified by the impression, everywhere prevalent, that low assessments stand for a low rate of taxation; and, *vice versa*, that full assessments will increase the amount of taxes to be paid.

"The study of the problem convinced the commission that the liability to inequitable assessments is greatly increased by this system of undervaluation.

"Inequalities that would be so suggestive as to be almost self-corrective as between full values, escape notice when a

fractional value obtains, and the low price at which property is rated virtually acts as an estoppel of complaint on the part of the property-owner, even though his property is rated higher than that of his neighbor. He cannot complain that his property is rated too high *per se*, and it seems ungenerous and unneighborly to complain that, in proportion, his friends and neighbors are rated too low."

OATHS.

The subject of oaths has already been touched upon. Prussia does not permit them in matters of taxation, and England requires them only in exceptional cases. The English income tax returns are signed by the tax-payers, who "declare" — the formula reading "I declare." The penalty for false declaration is a substantial one, namely, £20 and a trebling of the tax. The Illinois Revenue Commission in the report just referred to use these words respecting oaths: —

"In regard to the assessment of personal property by individuals, believing the requirement of an oath to a schedule as generally ineffectual in obtaining a disclosure of property, we have omitted such requirement. We believe such requirement to be debauching to the conscience, and subversive of public morals — a school for perjury, promoted by law. With the unscrupulous it imparts no additional verity whatever to the schedule, and it is wrong and oppressive to the honest tax-payer that he should be compelled to take upon his conscience an obligation which he well understands is disregarded as a rule by others. Such requirement has nowhere been found effective in the disclosure of property that the assessor could not have otherwise discovered. We have therefore proposed that the requirement of the oath be done

away with, and that there be substituted a substantial penalty for a false schedule."

It would seem to be wise to abandon oaths for returns, allowing, however, the tax officials to require an oath or affirmation at their discretion.

It goes without saying that more care should be taken in the selection of assessors and collectors, who ought to be elected for longer periods than one year. Appointment under good civil service rules would be still better for all, save the heads of the county and the state tax departments, who might be elected. Even these heads would better be appointed by suitable authority and retained during good behavior. Efficiency, stability, and independence of officials are the essential conditions of good financial administration. It is desirable to give a large number of citizens a participation in government through the medium of unpaid honorary commissions, appointed to co-operate with regular paid officials. The Baltimore custom of requiring proposed expenditures of large sums of money to be raised by loans, to be submitted to the people for ratification, is to be commended. It is an excellent old democratic custom. This referring back of questions to the people, called the *referendum*, has been used with excellent effect in Switzerland, and its use ought to be extended in our states, cities, and other local political units. The disposal of any great piece of public property, like the Philadelphia gas-works, ought never to be possible unless authorized by popular vote. Such a provision would at once put a quietus on many schemes for plundering the public.

MONEY TO BE RAISED FOR THE COMING YEAR.

The slipshod way many Maryland counties have of spending the money and levying taxes for past expenditures only

keeps them always in arrears, and is condemned by every intelligent official of practical experience. Taxes should be levied for the estimated expenditures of the coming year.

DISCOUNTS FOR THE PROMPT PAYMENT OF TAXES.

On this subject I quote from the "Report of the Baltimore City Tax Commission"; and as the quotation embodies my own views it is unnecessary to make any additions.[1]

"But sections thirty-five and thirty-six contain provisions making material changes. For years past taxes have not been due and payable until the first of January of the year following that for which they were levied. No penalty attached, nor could payment be enforced before that time. Many years ago this was felt to be a serious inconvenience, for no one paid taxes until the end of the year, and the city was often without money, and compelled to obtain temporary loans to meet current expenses.

"In 1835 Mr. F. J. Dallam, then city collector, suggested in his annual report that 'inducements be held out for the prompt and punctual discharge of the public dues, by allowing to those who pay for certain periods a discount,' etc., as was done in other cities, and 'charging interest on all sums remaining unpaid by a specified day.' This recommendation was followed by Resolution No. 62, of 1836, which for the first time established the system of discounts in Baltimore, and required that interest at the rate of six per cent. per annum be charged on all bills unpaid after January 1. The system has remained in force, unbroken, until the present day. It has been discussed and criticised, favored

[1] It will be understood that all of the members of the commission, myself included, worked on this proposal as well as on the other suggestions from the state and city tax commission reports, which I quote

and opposed, in official reports and elsewhere, but not abolished.

"We deem the system of discounts unjust and impolitic. In the words of Mr. Jno. B. Seidenstricker, city collector in 1844, it 'may be considered a bonus to tax-payers for the performance of a duty.' Many of the best administered cities in this country have abolished them, and in one or two other instances they have been reduced to trifling sums. Mr. Thomas Hills, chairman of the assessors of Boston, says: 'Boston does not have, and has not had for more than twenty-five years, to my knowledge, the system of discounts. It is a matter of local option. . . . Those towns which allow them are often agitated on the question of their discontinuance — mainly on the ground (which I think is well taken) that the city or town taxes all, alike the rich and the poor, to raise a fund to be distributed to the rich alone, as that class only are in a position to profit by the exemption of assessment, which is nominally open to all.'[1]

[1] "In discussing the question of discounts the Massachusetts Tax Commissioners say: 'In our opinion the system is open to grave abuse, is wholly unnecessary — not only works an inequality, but an inequality which favors those who have money in hand at the expense of those who have not, and puts an increased tax directly upon the polls and estates of the poor and embarrassed, while to the same degree it relieves the forehanded and the rich.

'*First.* The practice is wholly unnecessary. The whole power of the state is behind the tax-gatherer. He can compel payment by arrest, distress, sale, or suit. His demand is just, for a sum certain, and of which the tax-payer has sufficient notice to enable him to be ready with the means of payment.

'*Second.* The allowance of the discount works inequality between the tax-payers who can avail themselves of its provisions and those who cannot.

'We will suppose the valuation of a town to be $1,000,000, and the amount of money needed for the year $2000. If no discount is allowed,

"In 1884 the amount of taxes remitted in discounts was $90,967.19. The largest sum to which discounts ever amounted in this city, in a single year, was $192,844.08, in 1877. In no year, for fifteen years past, has the amount of discounts been as low as $75,000 dollars. Of course, this loss out of the levy must be made up, or there will be a deficiency in the city treasury. So every year, in estimating what rate of tax it will be neccessary to levy, the sum to which it is anticipated the discounts will amount during the year is reckoned, and the tax rate increased by enough to produce it.

"We therefore recommend that the practice of allowing

the tax voted and laid will be $2000, and the rate $20 per thousand. But suppose the town has been in the habit of voting a discount of ten per cent. for the prompt payment, and that it is well understood that eighty per cent. of the tax will be paid in season to receive the abatement. The town must vote to raise at least $160 more than the sum needed, and, as in theory, every one may avail himself of the discount, it cannot safely direct its assessors to levy less than $2200, — or rather, as the discount is from the gross sum, $2222.22.

'The account of the tax-payer, whose estate is included in the valuation at $10,000, and who is able to avail himself of the discount, stands thus: —

Valuation.	Assessed Tax.	Discount.	Actual Tax.	Actual Rate.
$10,000	$222.22	$22.22	$200.00	$20.00

'While the poorer citizens, whose aggregate valuations are of the same amount, but who find themselves unable to pay in season to obtain the deduction, stand thus: —

Aggregate Valuation.	Assessed Tax.	Discount.	Actual Tax.	Actual Rate.
$10,000	$222.22	——	$222.22	$22.22

'But if no discount had been allowed, the case would have stood as follows: —

	Valuation.	Rate.	Tax.	
The rich man . . .	$10,000	$20.00	$200.00	An equality
The poor man . . .	10,000	20.00	200.00	

discounts be discontinued. Recognizing the fact that some mode must be adopted to prevent the city treasury from being left empty for a large portion of the year, we have framed sections thirty-five and thirty-six of 'Ordinance No. 1' to meet this want, and also for the purpose of making the burden of taxation less onerous to persons of limited means, by dividing the year's taxes into four equal parts, and providing that one shall become due in each of the four quarters ending April 15, July 15, October 15, and January 1. This mode of payment will keep the city supplied with

'If no allowance is made when the tax is voted for the amount to be lost in discount, the result must be the same. A greater tax must be assessed the succeeding or some future year to make up the deficiency caused by the discount, and of this tax the person unable to pay in season to receive the abatement must pay more than his share.

'It is the essence of such a discount that it can be availed of by the rich, and cannot by the poor. Whatever its amount, — one per cent. or ten, — and there is no restriction in the law, it must practically work an equality at the expense of those who have least.

'*Third.* As a means of relieving the towns for the payment of interest for money borrowed, the plan is most absurd. In one city the tax bills are required to be in the hands of the collector on the first of September, and the discount allowed for payment before the 16th of September is such that the rate of interest paid by the city is equivalent to 120 per cent. per annum, while in many towns, the discount calculated in the same way is equivalent to the payment of interest at 40 per cent. per annum. The bare statement of the fact shows that the practice cannot be defended on the ground of economy in the saving of interest to municipalities.

* * * * * * * *

'*Fifth.* This practice is inconsistent with the attitude which a state ought to maintain toward its subjects. The command, with penalty for disobedience, rather than reward for that compliance, which government, as of course, has the right to expect, is the true policy for a state.'" — *Reports of the Commissioners relating to Taxation*, 1875. *Page* 75.

money at all periods of the year without paying a discount for it, and will facilitate the payment of taxes by persons who cannot, at one time, readily command the amount of money required to meet their taxes, as now demanded.

"Section thirty-six proposes to secure the prompt payment of taxes by imposing a penalty at the rate of one per cent. per month for failure to pay, instead of offering a reward in the shape of discounts for payments. In other particulars, the provisions of existing laws and ordinances for the enforcement of payment of taxes in arrears, are left undisturbed, except that the collector is prohibited, under pain of removal from office, from indulging delinquent tax-payers beyond the period fixed in the proposed ordinance."

It is urged that people living outside of cities receive the bulk of their income once a year on the sale of farm produce, and that it is really more convenient for all concerned that they should pay all their taxes at one time. If there is nothing to be accomplished by allowing them to pay in instalments, it is best not to change the law in that respect. I would prefer, however, quarterly payments of taxes in municipalities, to assimilate direct to indirect taxation as nearly as possible in point of convenience. Quarterly payments are allowed in Savannah, and the superintendent of police, General Anderson, told me that the people found them a great convenience. Probably no man ought to be in a better position to pass an opinion on the workings of a law like this in its effects on the people of moderate or slender means, than a superintendent of police. At the same time Major Hardee, the head of the tax department, told me that it occasioned him no inconvenience and required no extra clerk hire, as the labor was simply distributed more evenly throughout the year. He said, indeed, that there was a

positive advantage in the system, as, on account of the instalment plan there was less difficulty in collection.

In Quebec, Canada, people are allowed to pay part of their taxes at one time, and similar testimony was offered regarding the great convenience this method offered to the masses. I was indeed told that the poorer people in Quebec gave the tax officials less trouble and were less in arrears than their wealthier fellow-citizens. The system of quarterly payment is general in German cities, and appears to be very advantageous, and I am sure that republican America ought not to be less considerate in her dealings with the people than imperial Germany. People of slender means in Baltimore regard it as a hardship that they are forced to pay all their taxes at one time, and pitiful cases are related of the effect of this plan.

Rumors reach me of strong opposition to this change at the City Hall, on the part of clerks in the tax departments. Now while no one is more appreciative of the diligence and integrity of many of the public servants of the people of Baltimore, I cannot close my eyes to the inevitable opposition on the part of a large portion of the office-holding class to whatever disturbs the routine of their work, nor can I persuade myself that the wishes of the tax department should take precedence of the wishes of the tax-payers. If the number of employés is insufficient, then a larger force should be engaged, and a very few extra clerks would be sufficient. I must then adhere to the recommendation of the Baltimore Commission's report of 1886, that payment of taxes in quarterly instalments be allowed in Baltimore, and this plan I would recommend for other cities, while I would allow counties to decide for themselves in regard to the time of paying, provided of course that the taxes should

be levied and collected promptly as often as once a year at least.

The following quotations from the "Report of the Maryland Tax Commission" give some of the main features of a system of municipal and county administrative machinery for the assessment of taxes. The various members of the commission gave considerable thought to this topic, and it is believed their schemes will be found suggestive, although it might be desirable to modify it to a greater or less extent to meet the needs of each particular state and city. The quotations are slightly altered.[1]

COUNTIES.

The county treasurer of each county in this state shall be chairman of the board of assessors of his county. He shall, before the first day of December in each and every year, appoint two assessors for each three collection districts in his county, and if the number of collection districts is not divisible by three, he shall appoint an additional assessor if there are two collection districts left after making the division; otherwise he shall appoint no additional assessor. But if the county be not divided into election districts, then the county commissioners shall divide it into as many assessment districts as they may deem necessary, but an assessment district shall never be conterminous with an election district; and the county treasurer shall, before the first day in December in each year, appoint two assessors for each three such districts. The county treasurer shall have full authority to remove, for cause shown and recorded, any assessor appointed by him. Said assessors shall be ap-

[1] So many alterations are made that it would be unjust to my colleagues in the tax commission to use quotation marks. There is less necessity for this because I took part in framing the bills.

pointed without regard to politics. During the year 1888 one-third of the assessors shall be appointed for one year, one-third for two years, and one-third for three years, and thereafter every assessor appointed by the county treasurer shall hold office for three years from the date of his appointment, unless sooner removed by the treasurer; but in case of any vacancy occurring by death, resignation, removal or other cause, the treasurer shall fill such vacancy by appointment for the unexpired term.

The assessors for the several districts of each county, together with the county treasurer, shall constitute the board of assessors for the county. The county treasurer shall call said board together, in the month of December in each year, upon such day as he shall select, when he shall read to them such laws or parts of laws as may relate to the duties of their office, and shall instruct them concerning their duties, and shall especially caution them that they must value property at its full cash value, without looking to a forced sale; and they shall consult together concerning their said duties.

The county treasurer shall cause to be published, once a week, for three weeks, during the month of January in each year, in some newspaper or newspapers, not more than two, published in the county, or if there be no newspaper published in the county, then in some newspaper or newspapers, not exceeding two, circulating in the county, a notice to every person of and over the age of twenty-one years, to return all schedules herein provided, duly filled and signed, to the assessor of his district on or before the first day of February next ensuing; and every such notice shall set forth the post-office address of the assessors of the several districts in the county; and the county treasurer shall cause to be printed and delivered to the assessors by the first day of

January in every year, as many copies as may be requisite of the blank form of schedules set forth in this law.

It shall be the duty of every such assessor to send by mail, before the tenth day of January in each year, to every person whose name appears on the tax books of his district, and to every person in his district, so far as he may know or ascertain them, copies of the form of schedules provided in this article; and every form shall have distinctly written or printed upon it the name and post-office address of the assessor to whom it is to be returned.

It shall be the duty of every person, of or over the age of twenty-one years, residing in any county of this state, and of every person of or over said age who owns any taxable personal property permanently located in any county of this state, though he does not reside therein, or is in receipt of an income exceeding $600, to return to the assessor of his district, copies of the schedules hereinafter provided, duly filled and signed, on or before the first day of February in each and every year.

Every person knowingly signing any schedule containing any wilfully false statement shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be sentenced to undergo confinement in the penitentiary for not less than one year nor more than ten years.

After valuing the property and income of such persons as have not returned schedules as required by this article, the said assessor shall add ten per cent. to the total value of such of said property and income as is taxable, of which said addition it shall be the duty of the assessor imposing such per centum to give notice to the person so failing to make the return; provided, that the county treasurer shall have power, for good cause shown, to remit such penalty at any time before the fifteenth day of May next following, to any

person applying for such remission, who shall at the same time make a full return.

While engaged in making valuations the said assessors in each county shall meet as a board of assessors at the office of the county treasurer one day in every two weeks, when each assessor shall return all valuations completed by him since the last previous meeting of the board; and all such valuations shall be passed upon by said board, which shall have full power to review, alter, and equalize all valuations; and the valuations of the assessors shall be finally made by a majority of said board, in its sessions; provided, that if said board cannot complete its work in its said bi-weekly sessions, it may be called together by the county treasurer and sit for that purpose between the first and tenth days of May.

Before the valuations of the board of assessors shall have been returned to the county commissioners, as hereinafter provided, all final valuations made by said board shall be examined by the county treasurer, who shall deduct from the total valuation of the property of each person whose property has been valued, the said board's valuation of any exempted property which may have been included in said total valuation of such person's property, and shall indorse upon the account of each person's property the items so deducted from his account, and the said board's valuation of such items; and he shall note thereon the total valuation of the taxable property of such person.

The county treasurer of each county shall, not later than the fifteenth day of May, in each year, return the valuations of the board of assessors to the county commissioners, noting at the same time those who have failed to return schedules as required, and the fact that the sum of ten per centum has been added to the value of the taxable property

of every such person, as fixed by the said board, except where such penalty has been remitted by the said treasurer; and such valuations shall remain in the office of the county commissioners for twenty days, open to the inspection of persons interested in them, but only real estate valuations shall be open to public inspection.[1]

Between the fifteenth day of May and the fifth day of June, in each year, any person interested in any property returned for taxation by the county commissioners, may appeal from the valuation of the board of assessors to the county commissioners, who shall hear and decide all such appeals, and may affirm or alter the valuations appealed from, as they shall judge fair, just, and according to law. All appeals shall be heard and disposed of before the tenth day of June in the same year.

The county commissioners may not remit the ten per cent. required by this act to be added where any person fails to return a schedule, except as to any such part as they may abate of the valuation upon which it is imposed; but if, upon investigation, and after giving opportunity for hearing to any one who has failed to make a return, and the ten per centum penalty for which failure has not been remitted by the county treasurer, the said commissioners believe that such omission was wilful and intentional, and with the intent to evade the payment of taxes, they shall add, in their discretion, not more than fifty per centum nor less than twenty-five per centum to the valuation of the taxable property which he should have returned.[2]

[1] It must be remembered that the inspection of grand juries or some similar body whose proceedings are secret, is an essential part of this scheme of taxation.

[2] In the Middle and Western states, county boards of supervisors correspond in some respects to the county commissioners of Southern states.

CITY ASSESSORS.

There shall be appointed in the city of Baltimore, in the same manner as other city officers are appointed, sixteen discreet and competent persons, to be called city assessors, whose duty it shall be to value all taxable property and incomes in the city, or belonging to residents thereof, except such property as is excepted from valuation by them and all real estate whether taxable or not. The said assessors shall be appointed without regard to politics, and shall each receive a salary of fifteen hundred dollars per annum. They shall take the oath provided by ordinance, and give bond for the faithful discharge of their duties, as other city officers. Immediately after the appointment of said assessors the mayor shall designate one of them to be chairman of the board of assessors, and the person so appointed chairman shall continue to act in said capacity until the expiration of his term of office as assessor, unless sooner removed from the chairmanship by the mayor. Whenever there is a vacancy in the chairmanship of the board of assessors, the mayor shall appoint one of the assessors to be chairman of the board.

In the year eighteen hundred and eighty-eight, sixteen city assessors shall be appointed, four of whom shall remain in office and serve for one year, four for two years, four for three years, and four for four years, accounting, as to all of them, from the first day of March, 1888; which several terms of service shall be determined by lot at their first meeting.

In the month of February, in each succeeding year, there shall be appointed four city assessors, in the place of those whose term of office shall expire upon the first day of March

in such year; and the said assessors appointed as prescribed by this section, shall continue in office for four years.

Whenever any vacancy shall occur in the office of city assessor by death, disqualification, resignation, removal, or otherwise, such vacancy shall be filled by appointment for the unexpired term which shall have become vacant.

As soon as may be in the year eighteen hundred and eighty-eight, and thereafter annually in the month of February, there shall be appointed, in the same manner as other city officers are appointed, a clerk to the city assessors, who shall receive a salary of fifteen hundred dollars per annum. Said clerk shall attend daily at the office of said assessors, and he shall keep the minutes of their meetings; he shall also carefully preserve the records of the said office; receive all papers required to be delivered at or deposited in the same; index and keep in proper order all papers and books required to be kept open to public inspection therein; transmit to the clerk of the Appeal Tax Court a copy of all valuations made by the city assessors immediately upon the same becoming final; and on or before the twenty-fifth day of February, in each and every year, he shall deliver to the clerk of the Appeal Tax Court copies of all valuations then remaining in the office of the city assessors, whether or not the same have become final; and upon any appeal being taken from any valuation made by the city assessors to the Appeal Tax Court, he shall immediately deliver to the clerk of said court all schedules, valuations, and other papers which relate alone to the case in which such appeal is taken, and copies of such parts of all other papers as relate thereto, and he shall perform such other duties as properly pertain to his office. And if the mayor shall deem it necessary, then in the same manner, and at the same time with the appointment of said clerk to the city assessors, there shall

be appointed an assistant clerk to the city assessors, who shall receive a salary of twelve hundred dollars per annum, and whose duty it shall be to assist the said clerk to the city assessors in the discharge of the duties of his office by performing such part of the work thereof as the said city assessors may direct.

The city assessors shall assemble in meeting at least once a week, for the transaction of general business, and especially for the hearing of any appeals that may be brought before them by persons dissatisfied with valuations made by any of them, as hereinafter provided.

The city assessors, in meeting assembled, shall have power to provide and establish rules and regulations for the conduct of such meetings, for the making of valuations by the respective assessors, and for the time, place, and manner of hearing appeals; and to require the attendance of witnesses, and the production of books and papers. Any person who, after having been duly notified to appear as a witness, or produce any books or papers, before the said assessors, in meeting assembled, shall refuse or fail so to do, shall, unless excused by the city assessors, forfeit and pay a fine of not less than fifty nor more than one thousand dollars, which shall be collected as other fines and penalties are now or may hereafter be collected in the city of Baltimore.

VALUATION OF REAL AND LEASEHOLD PROPERTY IN BALTIMORE CITY.

Between the first day of April and the first day of September in the year eighteen hundred and eighty-nine, the city assessors shall value all real and leasehold property in the first, second, third, fourth, fifth, and sixth wards. Between the first day of April and the first day of

September, in the year following, the said assessors shall value all real and leasehold property in the seventh, eighth, ninth, tenth, eleventh, twelfth, and thirteenth wards. And between the first day of April and the first day of September, in the year thereafter, the said assessors shall value all real and leasehold property in the fourteenth, fifteenth, sixteenth, seventeeth, eighteenth, nineteenth, and twentieth wards. And between the said days in the fourth year from the year first above mentioned, the said assessors shall again value the property which they are hereinbefore required to value in said first mentioned year; and so in the fifth and sixth years, they shall again value the said property valued in the second and third years respectively; and so they shall continue in the same manner, each year revaluing the real and leasehold property valued the third previously. But whenever there may have been a considerable appreciation in the value of any real or leasehold property, the said assessors shall immediately value the same, and they shall forthwith give notice of such revaluation to the owner of such property; and the owner of any property so revalued because of appreciation in value, who may be dissatisfied with any such revaluation, may appeal therefrom to the Appeal Tax Court; provided, such appeal be taken within twenty days from the time of revaluation; and in case of any depreciation, by fire or other cause, the said assessors shall have power, upon the application of the owner, to make such abatement as they may deem just, and such owner shall have the right to appeal from the decision of said assessors upon such an application, to the Appeal Tax Court; provided such appeal be taken within twenty days from the date of such decision by the said assessors.

In valuing real or leasehold property, the city assessors shall value each lot or parcel of ground separately; and in

their return thereof they shall describe each lot by its location, naming the street or streets upon which it binds, or if it binds upon no street, but upon an alley or alleys, then such alley or alleys shall be named, also the number of front feet and depth of such lot; and they shall value improvements separately from the ground upon which they stand, and in addition to the description of such ground, the street number of the improvement shall be given.

APPEALS.

The city assessors, in making valuations of property, whether real or personal, shall do so, ward by ward, in regular order, taking up each ward in order, according to its number, and completing as far as practicable, their work therein, before beginning to make valuations in another ward. Before the assessors begin their work in any ward, the chairman of the city assessors shall divide such ward into assessment districts, and shall assign the several assessors to the respective districts, as far as practicable, sending them two by two together; and he may at any time change said assessment districts; and the said chairman shall have the general control and direction of the work of the assessors. Whenever the said assessors shall have completed, as far as practicable, their valuations in any ward, such valuations shall remain in the office of said assessors, open to inspection by any person interested therein, and except as to real estate to no one else, for twenty days from the time of such completion; and at the time of the said completion of the valuations in any ward, the said assessors shall cause to be published, in not less than three daily newspapers published in this city, a notice that the valuations of property (specifying whether real and leasehold or personal) in such ward are open to such inspection in the office of the

city assessors, and setting forth the period within which appeals will be received.

Any person interested in any property valued by any city assessor, shall have the right to appeal from such valuation to the city assessors in meeting assembled, at any time within the twenty days during which said valuation remains in the office of said assessor, as provided in the preceding section; and any person dissatisfied with the decision of the said assessors in meeting assembled, upon his appeal to them, may appeal therefrom to the Appeal Tax Court at any time within ten days after such decision is made, and the decision of said court shall be final; provided that in case any appeal, whether to the city assessors or Appeal Tax Court, shall not have been heard and decided before the taxes or any instalment of taxes assessed upon the valuation appealed from have become due, the pendency of such appeal shall not postpone the payment of such taxes, but they shall be paid; provided, that such payment shall not prejudice the right of the person appealing to further prosecute his appeal; and in case he should thereafter be allowed a deduction upon the said valuation, the excess of taxes theretofore paid thereon shall be credited to him on account of any taxes he may then owe, or the first which may thereafter become due.

The mayor and city council of Baltimore, shall in 1888, appoint a board to consist of at least three persons, one to be appointed for two years, one for four years, and one for six years, and thereafter each person to be appointed for six years, to be styled the Appeal Tax Court, who shall meet from time to time for the purpose of hearing appeals and making transfers and correcting the accounts of assessable property charged to tax-payers, and the assessment thereof; the said mayor and city council may also appoint such number of

assessors as they may deem necessary in investigating and ascertaining all omitted property, and assessing and returning the same to the Appeal Tax Court.

The mayor and city council shall fill all vacancies in said Appeal Tax Court, as soon as practicable after any may happen therein, in the manner provided for in such cases of vacancies of other city officers; and the members of said board shall receive such compensation as the mayor and city council shall provide to be paid by the city.

It is impossible to present a bill for the collection of taxes, and for other features of state and local taxation, without extending unduly the limits of the present work. The changes which in each locality will be required, in the above draft of a bill, will not be difficult to make. Fifteen hundred dollars, for example, will secure the services of fairly good men as assessors in Baltimore. More would be required in New York City, where it costs twice as much to live in any comfort. Beggarly salaries are economy of the penny wise pound foolish order.

CONCLUSION.

What has been submitted in this work is nothing merely theoretical, but an improved system of taxation, every part of which has been tested by experience, every part of which is in harmony with the principles of true democracy. It is simple and easily enforced, and if to any it appears complex, it is only by reason of novelty. The more carefully it is examined, the more thoroughly, I am convinced, will it meet with approval. It aims to distribute the burdens of government according to ability to bear them, to simplify administration, and to encourage business by removing those taxes and forms of taxation which fetter it, and giving it so

far as taxation is concerned as good opportunities in one place as in another.

We have in our American commonwealths far better opportunity to establish a satisfactory system of taxation than exists in any European state, where tradition, special privileges, and old customs impose fetters on the freedom of movement, and there is no reason why Maryland, where the need of financial reform is generally and keenly felt, should not strike out boldly and be the state to lead all others in the establishment of a sound system of taxation.

PART IV.

CONSTITUTIONAL PROVISIONS, STATISTICAL INFORMATION, AND MISCELLANEOUS MATTER.

I.

CONSTITUTIONAL PROVISIONS.

I.—GENERAL REMARKS.

THE tables appended will enable the reader to survey the vast number of constitutional restrictions[1] upon the freedom of states and cities in financial matters. It must be remembered that these tables exhibit only those restrictions which spring from the state, whereas the interference on account of the judicial interpretations of the federal constitution, to which allusion has already been made, are very numerous.

What shall be said of all these restrictions upon the liberty of movement? It is impossible to enter into any lengthy disquisition on constitutional law in this place, but attention must be called to a few main facts.

Matter is placed in constitutions which properly belongs in statutes, for the purpose of constitutions is to lay down the main lines of legislative action, and not to dispense with legislation. The result is great uncertainty as to the validity of law and, in consequence, expensive litigation, which the public find irritating. It is calculated to undermine the foundations of good government, by destroying respect for

[1] These tables are based on that excellent work, Stimson's "American Statute Law," and on Poole's "Charters and Constitutions," published by the federal government in 1878.

law.[1] Constitutions become so complicated that no one knows what they mean. The sovereign people set up a written instrument of which they do not comprehend the meaning, as supreme ruler over them. The effect is to place them at times in a condition worse than that of subjects of an absolute czar. The latter can be entreated to listen to reason; the constitution must be obeyed, right or wrong, until it can be changed, and to effect a change is a long, tedious process, often indeed an impossibility, unless the majority in favor of the change is an overwhelmingly large one. Mr. Henry Hitchcock in his essay on "American State Constitutions"[2] calls attention to the fact that a temporary majority may impose their will for some time on the people of a state by securing the incorporation of their peculiar views in the state constitution. He does not, however, it seems to me, appreciate the grave nature of the danger. Views change, and legislative requirements change; but if constitutions enter into details, a vast majority of the people may on the one hand become the slaves of the dead, and on the other they may be ruled by a small but determined minority which finds profit in governmental imperfections. Mr. Hitchcock refers to the proposition of Sir Henry Maine, that when law becomes written and codified, its "spontaneous development ceases; that the changes thereafter effected in it are effected deliberately and from without; and that from the moment when their laws are thus embodied in some permanent record the stationary condi-

[1] On the entire subject of state constitutions, the reader will do well to consult the excellent monograph of Dr. J. Franklin Jameson, entitled "An Introduction to the Study of the Constitutional a .d Political History of the States," published in the Johns Hopkins University Studies in Historical and Political Science, Volume IV., No. V.

[2] New York, 1887.

tion of the human race is the rule, the progressive the exception." Mr. Hitchcock quotes these words from Sir Henry Maine: "With respect to them [progressive societies] it may be laid down that social necessities and social opinion are always more or less in advance of law. We may come indefinitely near the closing of the gap between them, but it has a perpetual tendency to reopen. Law is stable; the societies we are speaking of are progressive. The greater or less happiness of a people depends on the degree of promptitude with which the gulf is narrowed." Mr. Hitchcock, however, mentions the large number of new state constitutions and constitutional conventions, and seems inclined to agree with Mr. James Russell Lowell in the belief that our constitutions stand "not in the way of the people's will, but of their whim." The fact that most of the recent constitutional conventions were the outcome of a civil war seems to be overlooked, as does the fact that a growing and influential class, profiting by the absence of power on the part of the representatives of the people, are determined that constitutional conventions shall not be held. When, according to the requirements of the constitution of New York, the people of the state two years ago were asked to signify their wishes with respect to a constitutional convention, a majority vote in its favor was given. Special interests, however, were opposed to the constitutional convention, and law and constitution have to this day been set at defiance. Moreover, as Professor Alexander Johnston has shown, it now seems probable that a federal constitutional convention is forever an impossibility.

It is said that the people, the sovereigns, retain the powers, not delegated. This is a superstition worthy to rank with the voodooism of the negroes of New Orleans. Power not delegated to the legislature cannot be exercised by the

people. Take the case of Maryland, interested in the Chesapeake and Ohio Canal. The constitution does not allow the legislature to use any money for the construction of internal improvements, or even for their maintenance. The state's investment in this enterprise, according to the last comptroller's report, amounts to $25,574,713.55,[1] yet not one cent can be spent to save this large property. The people have not retained the power to regulate their own affairs. They have virtually given the control of the canal to railroad corporations which can borrow money for their purposes. The power, which, according to popular illusion was retained, has been transferred to private corporations.

This excess of constitutionalism seems to me dangerous because it tends to produce a fossilization of laws and institutions. Conservatism is excellent, but it must be remembered that the only possible kind of conservatism is constructive conservatism. We have had one China in the world's history, but another is impossible. Stationary conservatism, so called, is destructive and revolutionary.

The application of what has been said to the matter of taxation is sufficiently obvious. A simplification of constitutional provisions is a necessary accompaniment of any sound reform of state and local taxation. While it is desirable that some general principles for the guidance of legislature should be laid down, it is difficult to see how states like Massachusetts and New Hampshire, which have not been hampered by constitutional restrictions in regard to taxation, have as a matter of fact suffered thereby. It is, however, certain that excessive constitutionalism does harm. Let us again turn to Maryland. The sessions of the legislature are biennial and limited to ninety days. Formerly it was said that the legislative sessions were excessively long because the

[1] Principal, $7,000,000; interest, $18,574,713.55.

members wanted their $5 a day. It was said that too many local and private laws were passed.[1] All these complaints were undoubtedly well founded. We suffer from too much legislation, but to part with power cannot effect a cure. As to the pay of the legislature, that difficulty can be solved, as it has been in New York, by paying each member a fixed sum per year, regardless of the length of the session. Local and private bills are brought forward still, and consume most of the ninety days. Bills in the general interest are likely to suffer. Good laws can be put off, by means of the lobby, until it is too late to pass them. Bad laws can be passed without notice in the hurry and excitement of the last days of the sessions which have not inaptly been compared to the "close of a Pimlico race, when it is difficult to tell what horses have been held back until the whip and spur are plied at the critical moment. . . . Certain measures of at least doubtful propriety are pushed to the front when it is too late to expose them and centre upon them the public gaze and disapprobation."[1]

The ninety-day limitation also tends to make extremely difficult any radical improvement. The abuse of local legislation ought to be remedied by a large and generous but properly guarded grant of powers to local political units. Now Maryland cities and counties have no independent financial existence. A Maryland city cannot even construct water-works without a petition to the legislature and legislative sanction. Self-help is unknown, and local self-government exists in a most imperfect form. We are kept dangling on the apron-strings of our Annapolis nurses. What is true of Maryland is true of other states. Mayor Hewitt, like every honest man who has given attention to the municipal government of New York, finds that one of the first con-

[1] Baltimore *Sun*, editorial, March 22, 1888.

ditions of good administration is a cessation of perpetual legislative interference in local affairs. This must, however, continue until larger powers of local self-government are granted. But to draw up and adequately discuss a proper bill for local administration in Maryland would require well-nigh the entire ninety days of the constitutional session. An imperative need in Maryland is tax reform; but to discuss properly so large a topic as a new system of taxation for the state and all the local political units would require full ninety days. Local powers are so limited that a Maryland city cannot even order an assessment of property for local purposes without legislative authorization! We have not had an assessment of property since 1876, and many who have since then entered the city of Baltimore, or acquired wealth, pay little or no taxes, while the rate for 1888 on old tax-payers for city and state purposes in Baltimore is $2.07¼ on the $100 — a very high rate, because a good deal of the Baltimore improved real estate is assessed for its full value, and many small houses for considerably more than they could be sold for. Those who escape taxation oppose any new assessment, and for this our constitution offers them every facility. I protest that here is a case in which a constitution places an obstacle in the way not of the whim of the people, but of their will, and I venture to assert that such cases will in a near future become very frequent.

We talk much about local self-government, but in all financial matters we have less of it than the local political units of any of the great European nations. It is a general principle in Germany and France that cities have all powers which have not been expressly taken away from them. Our principle of law is that cities have only those powers which have been expressly granted. The English theory is like the American, but the grant of powers to English cities has

been so generous that the English practice is essentially different from ours.

It is hard not to believe that one reason for the better government of European cities is their responsibility, their self-determination, their self-control, their relative independence from outside interference. The following newspaper summary of the local government bill for the government of counties in England and Wales, introduced in the English House of Commons on March 19, 1888, will show how much greater the degree of liberty to which the English have become accustomed in local matters than we know anything about: —

"The bill proposes to establish county councils, to be elected directly by rate-payers, which are to have control of the county police, to wield the powers now exercised by the local authorities over gas and water works, artisans' dwellings, the sale of food and drugs, and sanitary conditions, and to make advances in the aid of emigration when there is reason to believe that the advances will be repaid. The local government board is to retain its present power to control the borrowing of money by the counties, and to audit the account of counties, and is also to fix the number of members of the county councils. Other provisions give the councils the oversight of lunatic asylums, work-houses, reformatories, and industrial schools, and power to grant licenses for the sale of intoxicating liquors."

It may be said that excessive constitutionalism, as developed in our states, leads to hasty and ill-considered legislation. If the courts have large powers of nullification, they are relied upon to defeat vicious legislation. People become careless and indifferent. A class of men among us give enough concern to government to secure the insertion of

limitations to debts and taxation in constitutions and laws, and then neglect all the duties of citizenship.

It may be said, If we give large powers to cities to engage in enterprises like the construction of gas-works, water-works, electric-light works, and the like, they will be reckless in the use of them, or they may even start on the road to socialism. I reply, that good local government cannot be found anywhere apart from local liberty, and that the small advances we have made in this respect in American states have not produced such results as to discourage us. There was a time when the county authorities in Maryland could not give relief to a poor person until a special bill for that particular person was passed by the legislature. It led only to abuse, and it yet remains to show that a single step taken in the direction of local liberty has failed to produce good results.

The cry about socialism whenever a municipality constructs and operates gas-works, water-works, or even street-car lines, is scarcely worthy the attention of sensible men. A tendency to socialism can be said to exist only where there is a movement looking to the absorption of all business by government. If government business is separated from private by well-drawn lines, and natural monopolies are transferred to our various governments, it cannot be said that that reveals any tendency to socialism. This so-called tendency exists only in the vivid imaginations of timid and purely speculative thinkers. Those who imagine that our politicians show any inclination to extend the sphere of government business must stand very far from the facts of our life. Professor Simon Newcomb, in his "Political Economy," distinguishes very properly between the "keep-out" principle and the "let-alone" principle. The keep-out principle means that government itself should not go into any business. The let-alone principle or maxim means that government

should let people alone in the management of their affairs. What politicians are doing is in violation of the let-alone maxim. Their interference with private affairs is far-reaching and tends to demoralization. It is, in some respects, perhaps, alarming. They will, however, violate the keep-out principle only when compelled to do so by strong pressure from the people. They are far more inclined to interfere with gas companies than to establish gas-works, or to regulate the management of telegraph companies than to purchase the rights of companies already existing. With what affectation of righteous indignation did the aldermen of Chicago resist a proposition which has much to commend it, — that the city should take steps looking to the ultimate acquisition of street-car lines by the city. They were not socialists! they wanted that understood! Municipal councils and politicians are too much inclined to part with public property and abandon public enterprises. This is the only real danger. It was the politicians who wanted to sell the Philadelphia gas-works, and it was a strong expression of popular will which defeated the ring. Special interests, always dominant, are opposed to extension of government enterprise, and they are so powerful that such extension can never take place unless there are the strongest reasons therefor.

The few general provisions of a constitution, it seems to me, should protect coming generations against extravagance and misuse of power on the part of the present; should, while not obstructing action, prevent hasty action, secure full publicity, and provide for frequent reference of financial measures to the people for approval. The organic law ought further to provide general regulation for municipal corporations of such a nature as to bring about a larger co-operation of business men in the practical affairs of government, through the means of boards of trade, merchants'

and manufacturers' associations, and like organizations, and of citizens generally by means of numerous unpaid and voluntary commissions. Our people stand too far from the practical work of government. Berlin is said to be the best governed city in the world. Perhaps two of the chief reasons for this may be found in its large degree of liberty, or local self-government, and in its unpaid commissions, through which substantial citizens co-operate with paid officials in every part of the government. It is said that ten thousand people thus participate in the affairs of local government in Berlin. Provision should, in such cases, be made for the participation of women in the work of school commissions and poor-relief commissions. It is of real importance to the people of the entire state that no city or other local unit should become bankrupt or impoverished. Legislative sanction may properly be required for extraordinary and unusual expenditures, such as would bring the total debt above, say, ten or fifteen per cent. of the total value of the property of the city. It is best, as a rule, to refer expenditures to the people for indorsement, and to let them within proper limits govern themselves and take the consequences of their own acts.

The remainder of this chapter was prepared with special reference to Maryland, but it is believed it will be found of general importance.

It is recommended that the legislature submit to the people an amendment to the constitution repealing that provision of the constitution which forbids all participation of the state treasury in internal improvements, and that in place thereof it be provided that internal improvements be undertaken only after an act of the legislature authorizing them, be approved by the people by a majority vote. The people of the state can no longer afford to treat themselves as children; and

unless they learn to trust themselves, the state will continue to dwindle in importance between the federal government on the one hand, and municipal and private corporations on the other. Without borrowing powers and a larger degree of liberty in general the people of the state can never resist successfully vast corporations. Every constitutional enactment is a restriction upon the liberty of action, — and restrictions should be few and simple, — indicating the main lines of legislation, and preventing rash action. Where corruption may be feared, provision should be made for approval by popular vote to make legislative action valid.

This has special reference to the Chesapeake and Ohio Canal. There seems to be need of some one to do for Maryland with reference to that canal what the Democratic statesman, Horatio Seymour, of New York, did for the Erie; namely, settle the question at once and forever in favor of state ownership, and make the tolls as low as possible, if they cannot be abolished, as in New York state. A canal cannot be expected tc derive a profit from tolls any more than highways ought to be expected to yield a profit. Yet to the people at large the enterprise is profitable in reducing freight rates and in carrying freight, for the time of the canal has not yet passed, and it is eminently suitable for certain kinds of freight. This is pertinent to the subject of taxation, for thereby we may hope that the industries of the state will increase in prosperity, the taxable basis be raised, and the rate of taxation lowered.

It is idle to talk about taking the canal "out of politics," if that means turning it over to private parties; or will some one tell me that private railroad corporations are "out of politics"? Are they not indeed in politics more thoroughly than any state-owned railroads, and often in politics in a more demoralizing way than our canals are at present. To

turn the canal over to private parties is equivalent to handing it over to a railroad corporation for destruction of its value to the injury of the people of Maryland. This has happened time and time again in our various states. Canals can exist only as state enterprises. England put her canals "out of politics," and now it is a live question there to know how to get the canals out of railroad corporations. If, to put the Chesapeake and Ohio Canal out of politics means earnestly to attack the problem of good administration, and to prevent its manipulation for party ends, then certainly it ought to be taken out of politics, and this is perfectly practicable by regulating conditions of appointment, tenure of office, and dismissal from office. Business men, through their chamber of commerce and merchants' and manufacturers' associations, and farmers through some of their associations, might be authorized to elect most of the directors, the governor to appoint one, and all appointments to be for six years, one-third retiring each two years. Some such arrangement as this, with rules drawn upon business principles to govern the directors in their relations to employés, would forever take the Chesapeake and Ohio "out of politics," in the bad sense of the word. It is perfectly practicable, because it is a thing which has been done elsewhere. Here is a grand opportunity for the right man to render distinguished service to Maryland.

As soon as the question is once settled in favor of state ownership of the Chesapeake and Ohio Canal, its business will improve immensely. Ohio has passed through the same experience, and the governor reports on the subject as follows in his annual message, dated January 4, 1887, after showing from the report of the Board of Public Works a gain of $30,559.73, as compared with their report of the preceding year: —

"This gratifying result is due very largely to the hope that has been revived in all who are interested in the canals, that they are not to be abandoned or allowed to fall into decay and disuse. They constitute a valuable public property. The state should not dispose of any part of them. On the contrary, it should be made distinctly the policy of the state to improve and uphold them. *When this becomes well understood, the result will be that business upon and along them will be revived; new boats will be built, and their great benefits will be made each year more apparent.*"

A canal ought to be entirely public property, and it is said that for a very moderate sum the claims on the Chesapeake and Ohio Canal, which are prior to the claims of the state, could be purchased. If it would take a million and a half to cancel all those claims, a long-time four per cent. loan would cost us only a little over $60,000 a year, and would be offset by increased valuation of property. After all, how small the sum is, is seen in the fact that more than the entire capital required was raised by the federal income tax in Maryland in one year without impoverishing any one. It is ridiculous to add up the sums which have been spent in all the years past on the canal, as if they were lost. It has been returned already to the people. Baltimore has spent millions upon millions on her streets, and expects to spend millions more, and has not received, and does not desire to receive a single cent, in direct returns. These expenditures, from which the returns come indirectly in a contented and prosperous community, are the most profitable which it falls to the lot of a community to make.

Some able jurists and careful economists think it was a grave mistake in the American people to allow their great steam highways to become private property. However that may be, it is the least that can be demanded, that as

a partial check on the tremendous power thus given into private hands to oppress the public, other highways, canals included, should belong to the public, and be controlled by its agents acting under civil service rules, drawn up on business principles. Furthermore, these highways ought to be, wherever possible, free from tolls.

As long as this chapter is, an abstract must be made from a letter by Horatio Seymour, dated October 9, 1882, in favor of the amendment to the constitution of New York, which finally passed and approved, authorized expenditures for the New York canals, and made them free. "It has been my duty in the course of my life to investigate the value of our canals. As a member of the legislature, as chairman of the Canal Committee, and in messages, I have made frequent reports and statements with regard to them. I have no interest in their preservation, except my anxiety to promote the welfare of all parts of the state, and the sympathy I feel for the boatmen, who are struggling for a livelihood against railroads. No class of men have served the public more than they have, by keeping down charges. I remember the discussions with regard to canals, when the Erie and Champlain canals were made, and the joyous celebrations when they were completed, and their wonderful influence upon the commercial prosperity of the state. Fears were felt that their costs would increase taxation in the sections of New York remote from their channels. The result was the reverse of this. They gave such growth to the cities along their lines that taxation upon other sections was reduced. . . . In 1842 the question about our canal policy engaged the public attention more than any other topic, and was the main subject of discussion in our legislature. I then became convinced that the revenue they produced was of very little importance, compared with the

importance of cutting down the cost of carrying out products to the markets of the world. I therefore did what I could to aid the people of Northern and Southern New York, in getting canals made through those sections of the state. . . . The spirit which prompts opposition to the amendment is best expressed by words which import, that if the counties which desire free canals wish to have them made so, let them pay the cost. If this feeling is manifest, to what end will it lead? It will be said, in return, if such counties wish to have their schools supported, 'let them pay the costs,' if they desire that their members of the legislature or their judiciary should receive their salaries, let them pay costs! This will throw upon such counties a great sum of taxation, many times more in amount than their shares of making free canals. I deplore a result which would go so far to impair the honor and interests of New York. . . .

"When we break down the protection our public works give us, we do not know how far the same influence may put up charges upon our commerce which will bring distress upon all classes and upon all interests. We are to bear in mind that the directors of railroads are the agents and trustees of stockholders of their corporations, and must respond to their wishes, which are apt to be unreasonable and unwise. . . . Canals are not made for the sake of the tolls or taxation which they may draw from the people; on the contrary, they are designed for the common benefit of all parts of the state, and to add to the profits of farmers, mechanics, and other producers, by cutting down the cost of getting their products to the markets of the world. Another fact should be stated, which shows how harshly the Constitution deals with its own canals and with the boatmen who toil upon them. If, in consequence of a break in its banks, or of a desire on the part of competing routes to

destroy them and the persons who own or navigate boats, their receipts should be reduced for a single year below the cost of maintaining them, the constitution will not let the legislature vote a single dollar to make up such deficiency, no matter how small it may be. This hostile and menacing attitude of our state towards canals and boatmen prevents the building of vessels and their use. It has lessened the receipts for tolls, for men will not engage in a business where they are liable to be ruined by an accident or by the designs of rich competitors. These will find it profitable to carry at losing rates for one year, if they can destroy forever the boatmen or the canals which keep down their own rates for carrying the products of our own people. When they have destroyed their competition they can ever after put up their own charges to suit their own interest. If relief is sought from such action, their agents must be sent into the lobby and excite suspicion, which may be unjust, that members are corrupted. When these suspicions become general, they will lead to disastrous results."

It has been suggested that the counties through which the canal passes, might without constitutional change acquire the Chesapeake and Ohio Canal and improve it. It would seem that all parts of the state, like all parts of New York, ought to be benefited by a wise canal policy. Possibly some counties should make extra contributions, as those persons do who derive most from streets in cities. A "Union for the Improvement of Canals of the State of New York," with headquarters in New York City has been formed. Maryland might well follow this example.

It is conceivable that some special and peculiar reasons exist why an exception to the general rule should be made with respect to the whole or portion of the Chesapeake and Ohio Canal and the whole or part of it be leased for a percentage

of gross revenues to a railroad company. The considerations here adduced deserve careful attention, however, and it may be well to give attention to plans for the extension of the canal to Baltimore. I have the testimony of one of the most competent of the United States engineers, a gentleman of unquestioned integrity, as to the value of the canal to Maryland, and no hasty policy, afterwards to be regretted, ought to be pursued.

Constitutional provisions ought to be made against any irreparable grants of exemption from taxation, and against the grant of any power or privilege whatsoever to a corporation without reserved rights of repurchase of all corporate property of every description by exercise of the right of eminent domain.

Many old charter exemptions from taxation exist in American states and cities, and they are a perpetual source of annoyance and irritation. It may be said that they are dangerous to existing social institutions, because they tend to lead to indiscriminate attacks on private property. [illegible] ably the most serious case of the kind in the [illegible] is the exemption, by the state of Maryland [illegible] constitution, of the Baltimore and Ohio Railroad [illegible] ation. Some hold that such exemption [illegible] the fundamental rights of the people [illegible] under any circumstances, can part [illegible] like that of taxation for future [illegible] by the Dartmouth College [illegible] always met with disapproval [illegible] jurists.

The Baltimore and [illegible] play a disagreeable [illegible] tics as long as it [illegible] gressmen, Mr. M[illegible]

Representatives the following proposed amendment to the Constitution of the United States: "Whereas, a legislative body sitting under a state constitution has no right to sell, give, or to bargain away forever the taxing power of a state, or by contract to deprive the state forever of the power of taxation, and thus destroy the government which it was appointed to serve; and

"Whereas, in the principle long approved by the Supreme Court of the United States, no hindrance can be seen to rich corporations making contracts with legislatures as they best may, for perpetual exemption from all the burdens of supporting the government; and

"Whereas, the result of such a principle, under the growing tendency to special and partial legislation, is to exempt the rich from taxation, and cast all the burden of the support of government and the payment of its debts on those who are too poor or too honest to purchase such immunity; and

"Whereas, in many states of the Union favored corporations now enjoy this immunity from taxation upon many millions of dollars' worth of property, rapidly multiplying in value, but perpetually free from taxes paid by the people. Therefore,

"Resolved, etc., that the first clause of section ten, article one, shall be so amended as to read as follows: —

"'No state shall enter into any treaty, alliance, or confederation; grant letters of marque and reprisal; coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts; pass any bill of attainder, *ex-post-facto* law, or law impairing the obligation of contracts; or grant any title of nobility: Provided, however, That no state shall be precluded by the grant of any charter or act of incorporation from taxing the capital stock or property

of such corporation; nor shall any charter or act of incorporation heretofore granted, or that may hereafter be granted, by any state be construed to preclude the state from the power of taxation; but the states shall have and retain the full power and right of taxation as if the prohibition to pass laws impairing the obligation of contracts had never been incorporated in this Constitution.' "

The proper method is so to shape our Constitution that the exemption of corporations may be purchased by exercise of the right of eminent domain, like real estate, and thus to acquire all exemptions at a fair price. It is far better for corporations that some such arrangement as this should be made. The exemption of the Baltimore and Ohio Railroad Company from taxation works injury to the corporation itself in many ways. Other countries have already purchased most exemptions like this, and that we have, in the United States, made no beginning in this direction simply shows how far we have lagged behind others in matters of taxation.

The following provisions of the constitution of Pennsylvania are to be heartily commended as a move in the right direction: —

"SECTION 1. All existing charters or grants of special or exclusive privileges, under which a *bona fide* organization shall not have taken place, and business commenced in good faith, at the time of the adoption of this constitution, shall thereafter have no validity.

"SECTION 2. The General Assembly shall not remit the forfeiture of the charter of any corporation now existing, or alter or amend the same, or pass any other general or special law for the benefit of such corporation, except upon the condition that such corporation shall thereafter hold its charter subject to the provisions of this constitution.

"SECTION 3. The exercise of the right of eminent domain

shall never be abridged or so construed as to prevent the General Assembly from taking the property and franchises of incorporated companies, and subjecting them to public use, the same as the property of individuals; and the exercise of the police power of the state shall never be abridged or so construed as to permit corporations to conduct their business in such manner as to infringe the equal rights of individuals or the general well-being of the state." — Article XVI., sections 1, 2, 3, Constitution of Pennsylvania, 1873.

The following proposed amendments to the constitution of Maryland were drawn up by me at the request of certain prominent business men of Baltimore. They are partly taken from other state constitutions.

1. Abolition of this part of Article 15 of Declaration of Rights, viz.: "But every person in the state, or person holding property therein, ought to contribute his proportion of public taxes for the support of the government according to his actual worth in real or personal property."

It is proposed that the following provision shall be substituted for the above.

2. There shall be an assessment of all real estate within the commonwealth, taken anew once in three years. There shall be an assessment of all other taxable property within the commonwealth, taken anew once every year. All taxable property shall be assessed at its full, true, selling value, without looking to a forced sale. All taxes shall be uniform upon the same class of persons or property within the territorial limits of the authority laying the tax, and shall be levied and collected under general laws; but this shall not be understood to exclude such exemptions of property not exceeding in value $1000, or of annual income not exceeding $600, as for reasons of public policy or convenience the General Assembly shall see fit to make.

3. Abolition of section 34 of Article 3, and substitution therefor of what follows: "No debt shall be hereafter contracted by the General Assembly unless such debt shall be authorized by a law providing for the collection of an annual tax or taxes sufficient to pay the interest on such debt as it falls due, and also to discharge the principal thereof within thirty years from the time of contracting the same; neither the credit nor the money of the state nor of any county, city, or other local political unit shall be given or loaned to, or in aid of, any private corporation or of any private undertaking whatsoever; nor shall the General Assembly have the power in any way to involve the state in the construction of works of internal improvement, nor in granting aid thereto, which shall involve the faith or credit of the state, except on condition that such works of internal improvement shall be indorsed by a majority of those voting at the next regular state election or at special election provided for this purpose, if such shall be ordered by the General Assembly." All the rest of section 34, Article 3, to be stricken out as useless obstruction, ample safeguards having been already provided.

4. Any county, township, city, or other municipality incurring any indebtedness, shall, at or before the time of so doing, provide for the collection of an annual tax sufficient to pay the interest and principal thereof within thirty years.

5. Any city, town, village, or county in this commonwealth shall have power to construct and operate gas-works, water-works, electric-lighting works, and street-car lines, or condemn and purchase the rights in such enterprises of existing companies, and to borrow money for this purpose under conditions elsewhere provided in this constitution. Whenever use is not made of this power, and franchises for any of these purposes are sought, and it is decided to grant

them, then these franchises shall be sold at public a
for a period not exceeding twenty-one years; the ri
repurchase the plant at the expiration of the period
franchise at its then value shall be reserved, but no
shall ever be paid for the franchise itself, it being a
grant, the value of which belongs to the public.

THE material presented in the following table and in the
ing pages of this chapter has been taken for the most part from
to which reference has already been made, entitled "American
Law," by Frederic J. Stimson, published in Boston, 1886.
work all constitutional provisions in force January 1, 1886,
various states are given. As few changes have been made in
constitutions since that date, these same provisions are in fo
present.

3. ADDITIONAL CONSTITUTIONAL PROVISIONS.

State Finance and Taxation.

The provisions here added could not well be tabulated, and are presented best in this form. It must be constantly borne in mind that the following notes must be read with the table, as they present simply *additional* provisions, and in a few cases, exceptions to the provisions given in the table. And it must further be remembered that these are simply constitutional provisions; the statutory can not well be collected.

General Principles.

A provision of the Vermont constitution has already been quoted to the effect that the purpose for which the tax is levied ought to appear of more importance to the community than the money would be if not collected, before any law for a tax be enacted. This provision, introduced in 1777, is still in force. The "state's ancient right of eminent domain and taxation is expressly and fully conceded" in the constitution of Arkansas; and in that of Georgia, taxation is declared to be an absolutely inalienable sovereign right of the state.

The specification of objects and subjects of taxation shall not, according to the Illinois constitution, deprive the General Assembly of the power to tax other objects or subjects.

Taxable Property.

Taxes shall, in Michigan and Wisconsin, be "levied upon such property as is described by law."

Personal property of a resident of Maryland shall be taxed where he resides for the greater part of the year, except where goods and chattels are "permanently located"; in

Texas and California all property, except rolling stock, etc., of railroads, is assessed where situated.

In California land and improvements thereon are separately assessed, all mortgages except mortgages by railroads, etc., are taxed to the owner, and the property less the value of the mortgage to the mortgagor, all contracts to the contrary being void. It is provided in the Texas constitution that all property of railroads shall be taxed, and such as is in towns shall bear its share of municipal taxation. The legislature in Maryland are to provide for taxation of foreign corporations doing business in the state.

Exemptions.

Lots in towns, within one mile of limits to the extent of one acre, and lots one mile or more distant to five acres in extent, with buildings thereon, used exclusively for religious, school, or charitable purposes, are, in Alabama, and may be in Missouri, exempt; in California all property exempt by, or belonging to, the United States; in Colorado the increase in the value of land caused by the planting of hedges, orchards, and forests may for a time be exempted. The personal property of every individual is exempt in Minnesota, and may be in Ohio, to the value of $200; in Tennessee to the value of $100; in Kansas the property of every family to the value of $200; and household property in Louisiana to the value of $500; in Texas, $250.

Growing crops are exempt in California; the direct products of the soil in the hands of the producer, in Texas and Tennessee; and in the latter state such products in the possession of the immediate vendee, and also articles manufactured of the produce of the state, except for expense of inspection. Supplies for home and farm use are exempt in Texas.

North Carolina provides that the following may be exempt: wearing apparel, arms for muster, all household furniture, mechanical instruments of mechanics, agricultural implements of farmers, libraries, and scientific instruments, the total exemptions, however, not to exceed in value $300.

Valuation and Assessment.

It is provided in the Louisiana constitution that the assessment of property shall never exceed its cash value; that tax-payers may test the correctness of assessments in court; and that valuation for purpose of state taxation shall be taken as valuation for local taxation. Cultivated and uncultivated land of the same quality and similarly situated are to be assessed at the same value in California.

Purposes of Taxation.

In Texas, taxes can be levied for costs of collecting the revenue, to protect the frontier, for the erection and repair of public buildings, and for the enforcement of quarantine regulations; in New Hampshire and Massachusetts, for the necessary defence of the government; in Louisiana, for the erection of levees; in Georgia and Louisiana, to supply Confederate soldiers with wooden arms and legs; in Nebraska, to provide such revenue as may be needful; and in Missouri and Texas, for public purposes only. In Florida, a tax may not be levied to pay interest on bonds of any chartered company. In Arkansas, taxes for other purposes may be enacted by a two-thirds vote of both houses.

In Missouri it is provided that all revenue shall go directly into the treasury, and appropriations shall be made therefrom in the following order of priority: first, to pay interest on the public debt; second, certain sum for sinking fund; third, free public school purposes; fourth, cost of assessing

and collecting; fifth, payment of the civil list; sixth, the support of charitable institutions of the state; and seventh, for the pay of the General Assembly and such other purposes not prohibited by the constitution, as may seem necessary.[1]

Amount of State Tax.

The limits of the amount of state taxation for any one year, placed by state constitutions, are as follows: in Alabama, 0.75 per cent.; in Colorado, 0.60 per cent., or 0.40 per cent. when the valuation reaches $100,000,000; in Louisiana, 0.60 per cent.; in Texas, exclusive of tax to pay state debt, 0.35 per cent.; in Arkansas, 1 per cent.; in Missouri, 0.20 per cent., or 0.15 per cent. when the valuation exceeds $900,000,000.

Poll Tax.

By the constitutions of Ohio and Maryland poll taxes are declared oppressive, and are prohibited.

The following exemptions are made by the constitutions of the following states: paupers, in North Carolina and California; idiots and insane persons, in California; the aged or infirm, in West Virginia, North Carolina, Tennessee; Indians not taxed or uncivilized, in California and Nevada.

In South Carolina no additional poll tax can be levied by any municipal corporation or by the state.

Income and License Taxes.

Such taxes must be uniform upon each class in Nebraska. They cannot be imposed on mechanical or agricultural pursuits, in Texas; nor upon licenses, in Florida; but may be imposed on all persons in Louisiana, *except* clerks, laborers, clergymen, school teachers, those engaged in mechanical,

[1] Hitchcock "American State Constitutions," page 38.

agricultural, horticultural, and mining pursuits, and manufacturers of anything except liquor, tobacco, etc., and cotton-seed oil. In North Carolina incomes from property already taxed, cannot be taxed.

Private Appropriations, Claims, and Debts.

No appropriation of money out of the treasury shall be made in any private law, according to the constitution of Illinois; and in Texas no appropriation for private or individual purposes. It is also provided in the Illinois constitution that the Illinois and Michigan Canal can never be sold or leased, except by vote of the people, and also that no lien, etc., in the original charter of the Illinois Central Railroad shall be released or impaired. New York may not sell or lease or otherwise dispose of her canals, and in Maryland, canals in which the state is interested cannot be sold unless the sale is ratified by the ensuing legislature.

The constitution of Louisiana gives the legislature the right to grant to a railroad or canal the right of way through public land. In Maryland the legislature can appropriate no money in payment of a private claim of over $300, unless proved before the comptroller and reported on by him. In Illinois and West Virginia the legislature may appropriate for expenses incurred by private persons in suppressing insurrection or repelling invasion. In New York no claim shall be allowed against the state which would be barred by lapse of time if made against a private person.

Internal Improvement.

The Tennessee constitution provides that a well-regulated system of internal improvement shall be encouraged by the legislature; and in Mississippi a board of public works shall be established for that purpose.

Miscellaneous Restrictions.

No appropriation for a bureau of, or to assist or encourage immigration, shall, according to the constitution of Texas, be made.

Loans of Credit.

In Alabama the state may not be interested in any private or corporate enterprise; in Tennessee the state may not issue bonds to a railroad which is in default of payment of interest on bonds previously issued, or which has sold them below par. Upon vote of the people, North Carolina may loan its credit.

Money.

The constitution of Texas provides that the state shall have no power to issue treasury notes or warrants intended to circulate as money.

Payment of Taxes a Qualification for Voting.

In Georgia all taxes except for the year of election must be paid before one can vote; in Massachusetts, Pennsylvania, and Delaware, payment of a state, county, or city tax within two years preceding the election is required of a voter; in Rhode Island he must have paid all poll taxes assessed upon him for a period of two years preceding; in North Carolina, all poll taxes for a period prescribed by the legislature; in New Hampshire no person can vote who is excused from paying taxes at his own request; in Massachusetts, however, a person exempt from taxation by law may vote; in Rhode Island he must have paid a tax to the amount of one dollar, unless possessed of real estate.

In municipal elections in Texas, to determine the expenditure of money or the assumption of debt, no person can vote who does not pay a property tax in such municipality.

In the Virginia constitution of 1870 payment of taxes was made a prerequisite for voting; but this provision was abolished in 1882; and in South Carolina an amendment was carried in the same year which accomplished practically the same purpose.

In several states the payment of poll taxes is made a prerequisite for voting by statutory provision.

Municipal Finance and Taxation.

General Principles.

Municipal taxes in North Carolina and Tennessee must be levied according to the value of property; in Missouri they may be levied on all property subject to state taxation, and the valuation may not be greater; in Louisiana the valuation must be the same.

Amount of Municipal Tax.

The rates of county taxation for one year are limited as follows: —

Arkansas,	½	per cent.
Alabama,	½	" "
Illinois,	¾	" "
W. Virginia,	95	cents per $100.
Louisiana,	1	per cent.
Nebraska,	1½	" "
New York,	2	" "
Texas,	¼	" " or one-half of rate of state tax.
N. Carolina,	twice state tax (except for special purpose and with special approval of the legislature).	
Missouri,	½	per cent. in aggregate where valuation is not over $6,000,000
"	4/10	per cent. in aggregate where valuation is between 6,000,000 and 10,000,000

Missouri,	$\frac{1}{2}$ per cent. in aggregate where valuation is between	10,000,000 and 30,000,000
"	$\frac{35}{100}$ per cent. in aggregate where valuation is over	30,000,000

The following taxes, however, are not included in amounts limited above: in Alabama, "special taxes authorized by law"; in West Virginia and Arkansas, taxes for free schools; in Illinois, Nebraska, West Virginia, Arkansas, and Texas, taxes for debts already incurred; and in Texas, taxes for the erection of public buildings, and taxes for roads and bridges; — the former being limited to one-half per cent. in one year, the latter to $\frac{15}{100}$ per cent.

Municipal corporations may levy a greater rate than the above in a few states. The rate may be raised in Louisiana by a vote of the property tax-payers — the tax in this state to be for public works; in Illinois and Nebraska, by a vote of the electors of the county; and in West Virginia, by a three-fifths vote of such electors.

In the following states the rate of taxation in towns and cities is limited for any one year as follows: —

Arkansas,	$\frac{1}{2}$ per cent.	
Alabama,	$\frac{1}{2}$ "	
Texas,	(for town not having special charter) $\frac{1}{4}$ per cent.	
Texas,	in cities of over 10,000, $2\frac{1}{2}$ per cent.	
Missouri,	in cities of over 30,000, 1 " "	
"	in cities of between 10,000 and 30,000, $\frac{6}{10}$ per cent.	
"	" " " 1,000 " 10,000, $\frac{1}{2}$ " "	
"	" " less than 1,000, $\frac{1}{4}$ " "	
"	in school districts, for school purposes, $\frac{4}{10}$ " "	

These rates, however, in Missouri, for school purposes, may be increased by a vote of the tax-paying voters, and for the purpose of erecting public buildings by a two-thirds vote of all voters.

Taxes for paying existing or hereafter renewed indebtedness are not included in the above limited amounts in Missouri, Arkansas, and Alabama.

Purposes Prescribed.

Every town and city in Wisconsin, according to its constitution, shall by tax annually raise a sum for the support of common schools not less than half the sum received from the state school fund; in North Carolina no tax shall be levied by counties, towns, etc., except for necessary expenses, without a special vote of the electors; in Arkansas the legislature may authorize school districts to levy a tax for school purposes not exceeding one-fifth per cent.; in Georgia, counties may levy taxes for schools under special authority of legislature and a two-thirds vote of the county; in Texas counties may raise a special tax for common schools not exceeding one-fifth per cent. Counties, towns, etc., may levy taxes in Texas for current annual expenses, and for interest and sinking fund of debts; in Georgia, for educational purposes; and in Georgia and Mississippi, for the building and repair of court-houses, jails, bridges, and necessary conveniences for the people.

Special Taxes.

Betterment taxes must, in Arkansas, be consented to by a majority of the property-holders in the locality affected, and must be *ad valorem* and uniform; and in California, must be collected before the work is commenced. A specified tax may, in Louisiana, be levied for public improvements or railroads by vote of the tax-payers.

Loans of Credit.

In Maryland no county can loan its credit to any association or corporation except by act of the legislature, ap-

proved by the next legislature after publication in the locality interested. The Maryland constitution contains this special provision regarding the city of Baltimore, viz.: that it may not incur debt or loan its credit in aid of any individual, corporation, etc., or in the construction of works of internal improvement, unless such debt or credit be authorized by an act of the General Assembly and by an ordinance of the city, submitted to the legal voters of the city of Baltimore and approved by a majority of the votes cast. In Iowa no municipality can become stockholder in a bank; nor in Minnesota and Nebraska, issue bonds or become indebted in aid of railroads for more than ten per cent. of its valuation; in the latter state five per cent. extra, on a two-thirds vote of the people.

The following limitations are, however, noted: in Nebraska counties, towns, etc., may, by vote of the electors, under the authority of law, loan credit, etc.; in Mississippi, on vote of two-thirds of electors and with authority of legislature; in Tennessee, on three-fourths vote of electors.

Statutory provisions, regarding the above points, are much more numerous, but are not given.

II.

REVENUES AND EXPENDITURES OF THE STATES.

I. COMMENTS.

IN a comparative study of the tax systems of the various states, it is necessary to examine not only the provisions regarding taxation as found in the state constitutions or statutes, but also the results of those laws in operation, to be found in the reports of the financial officers of the states. An examination of the laws will make plain who *should* pay the taxes and, perhaps, what each *should* pay, but an examination of the budgets of the states will show who really pay the taxes, and how much they pay. In this present work, however, it will not be possible to make an analysis sufficiently detailed or extended to show, save in a general way, how great the burden of taxation is, upon whom it rests, and for what the revenues derived from taxes are expended. It is undertaken to give in brief the essential points to be gathered from the yearly financial reports.

This task of analysis — or synthesis, as it has been in some cases — has not been an easy one. In the first place, there is no approach to uniformity in the methods of keeping or publishing the accounts in the various states, nor in the classification of receipts and expenditures. In one state, for example, all receipts are grouped according to their source in one grand list, and so of the expenditures; in another, the receipts and disbursements are grouped according to the funds into or from which they are paid, each fund

having a separate account; and in a third, the general plan being as in the last, a portion of the receipts pass through one fund into another, and are thus mentioned twice in the column of receipts, and twice in the column of disbursements. These differences arise from the different methods of financial legislation, and are mentioned to show the difficulty of analysis and classification. There is, it may be incidentally remarked, abundant room for reform in the methods of keeping state and municipal accounts of revenues and expenditures. There have been many other things to render the work a perplexing one, but the greatest care has been taken to avoid errors, and it is believed that the facts set forth are trustworthy.

Because of the difficulty of classification, just mentioned, a brief summary of the finances of each state is first given, and afterward, such matter as could be conveniently grouped, is given in tabular form.

In collection of these statistics not only have the auditors', comptrollers', and treasurers' reports been of assistance, but also the "American Almanac," edited by Mr. A. R. Spofford, the librarian of Congress.

2. REVENUES AND EXPENDITURES OF EACH STATE.

Alabama.[1]

For the fiscal year ending September 30, 1886, the total receipts, exclusive of the amount collected and paid out for the public schools in the counties, were $888,724; the disbursements, $818,366. Of the total sum received, the revenue accruing from a general tax on property formed

[1] Throughout these statements the cents have not been given If however, they were in the reports, etc., fifty or more, $1.00 was added: if less, no account was taken of them.

the greater part; that from licenses being next in amount. The following were the principal receipts: —

General taxes	$655,102
Miscellaneous licenses	99,471
Railroad licenses	12,500
Insurance company licenses	4,377
Fees	568
Purchase and redemption of lands	9,777

There was also received $12,099 from the Department of Agriculture, being a part of the fertilizer tax, and $31,939 from the university land fund, derived probably from the sale of university lands. The hire of convicts was the only other considerable item, and was more than balanced by the expenditure for the same.

There was a school fund tax, amounting to $325,000, and a poll tax of $1.50 per poll, amounting to $150,000, collected and paid out in the counties.

The total assessed valuation in 1885 was $172,528,933: that of real estate, $102,037,631; of railroad property, $22,296,870; the rate was 60 cents per $100, but was reduced in 1887 to 55 cents.[1]

[1] It is interesting to notice that the assessed value of dirks, guns, pistols, canes, etc., in Alabama greatly exceeds that of farming implements, the value of the former being returned as $429,493, while that of the latter is returned as only $87,567. A paper on "Taxation in Alabama," by Mr. W. T. Sanders, of that state, read before the class in political economy in Vanderbilt University, lies before me. In this essay it is claimed that the reason for this large apparent excess of value of warlike implements is the fact that farming implements to the value of $25 are exempt from taxation, and the home-made tools, generally used, are not regarded as of much value, while every one knows exactly what he paid for his dirk or gun, and this can also be ascertained from merchants. All firearms are taxable, and in the "black belt," where there are six or seven blacks to one white it often happens that firearms are the only property owned by a negro which the state can reach.

The cost of assessment and collection of taxes was about 5 per cent. of sums collected.

The principal expenditures were: for civil list, $98,837; for payment of interest on bonded debt, $323,097; for charitable and educational purposes, $230,780.

The sixteenth section fund, belonging to the several counties of the state, amounted in September, 1886, to $1,820,686. The interest on this amount accrues to the benefit of the educational fund.

The state, besides the interest on this fund, had at this date a bonded debt to the amount of $9,193,900, bearing interest at 4, 5, and 6 per cent.

Arkansas.

In the latest financial report of Arkansas to be had, 1878, the total receipts into the general revenue were given as about $750,000, more than half of which consisted of loans. $128,050 was collected by a property tax; $1622 from insurance companies; $11,228 from fees; $12,064 from commission sales. The revenues of the school fund were chiefly from taxes; of the permanent school fund, from sale of lands, fines, and estrays; and of the sinking fund, from liquor licenses and interest.

The following statistics are taken from the "American Almanac" for 1888: —

For the year ending October, 1884, the receipts were $1,445,120, and the expenditure, $515,605. In 1883 the receipts were $830,000; the expenditures $590,000.

The amount of taxable property in 1886 was as assessed: real, $78,444,227; personal, $48,382,167; railroad, $13,704,639; total, $140,531,033.

The rate of state tax was 40 cents on the $100. A poll tax of $1 was levied for school purposes.

The amount of the state debt, October, 1885, was $2,321,100 principal; past-due interest, $2,786,943; total, $5,108,043; mostly bearing interest at 6 per cent.

There is an additional debt to the amount of $11,000,000, consisting of Levee and Railroad Aid bonds and others, the former of which have been declared by the Supreme Court of the state as unconstitutional and invalid; the latter have been declared illegally issued.

California.

There was received into the state treasury for the fiscal year ending June 30, 1886, the sum of $6,476,230. The principal items were as follows: —

Property tax	$4,222,198
Poll tax ($2 per poll)	296,919
State school lands	169,586
Fees	54,367
Rent of wharves and collection of tolls	247,256
Rents and privileges (Yosemite Valley)	10,890
Railway taxes	851,413
Licenses incorporated banks	12,700
Sales of jute products	51,680
Estates of deceased persons	13,210
Redemption of bonds	288,500
Interest	228,277

The disbursements for the same year amounted to $5,787,612. Of this $1,894,487 was for the support of schools; $218,812 for educational institutions; $1,162,045 for charitable and penal institutions; $294,578 for harbor improvements; $634,615 in purchase of bonds; $179,380 for payment of interest on bonds; and $411,654 as payment of county portion of railroad taxes; and over $800,000 for payment of salaries of public officers, etc.

The total valuation of property for 1886 was $816,446,700,

of which the personal was $151,937,132, being 24.64 per cent of the real. The state rate of taxation was 56 cents on the $100.

Among the principal items in the list of assessed valuations were: merchandise, $32,449,166; moneys, $10,874,971; solvent credit, $15,428,987; mortgages, $98,833,614; furniture, $12,426,022; horses, $11,883,980; cattle, $13,541,662; sheep, $5,683,083.

The cost of assessing, auditing, collecting, and paying in the taxes was $259,563, or about 5 per cent. of taxes collected.

The state school fund had in its possession state and county bonds to the amount of $2,549,500. This fund is maintained by interest on these bonds; by poll taxes; by interest on sales of certain lands, the 500,000-acre land grant, and sixteenth and thirty-sixth sections land grant; by sale of geological survey reports, and by a percentage of the state and railway taxes — chiefly the former. The state rate in 1885 was $54\frac{4}{10}$ cents on the $100, of which $17\frac{1}{10}$ cents was for school purposes. The university fund held bonds, bearing 6 and 7 per cent. interest to the amount of $1,363,500.

The funded debt of the state was in 1886, $2,953,500, $2,614,000 of which was held by the state school and university funds, leaving bonds to the amount of $339,500 only, in private hands. The state funded debt bonds, which constitute the greater part of the debt, fall due in 1893. Thus it will be seen the state is practically out of debt.

The funded debt of the counties amounted in 1885 to $7,717,741,[1] the floating debt to $667,445.

[1] No account was found of sinking funds, but it is probable that such exist. It is very generally true of minor civil divisions as well as of

Colorado.

This state has over thirty funds among which are distributed the receipts according to some prescribed rule. The total receipts for the two years ending November 30, 1886, were $1,837,395; the disbursements, $1,515,951. For the general revenue a tax of four mills on the dollar was laid, and for other specified funds, of $1\frac{7}{10}$ mills, and in addition to these, a military poll tax of $1 per capita. The amount charged the counties on account of these taxes was, for the two years, $1,403,214, but the amount collected for 1885 was but 93.30 per cent. of the amount assessed, and for 1886 but 92.81 per cent. There was received from fees $43,440, and from insurance taxes and fees, $37,246. A considerable amount is received from sale of land and interest.

The assessed valuation of all property for 1886 was $124,269,710. The expenditures were chiefly in payment of salaries, for the building of the capitol, for the state penitentiary, and for charitable and school purposes.

The amounts invested for the various funds were as follows: —

Public school fund	$171,567
Public school land lease	89,784
State university fund	40,660
Internal improvement fund	29,894
Penitentiary land fund	4,085
Public building land fund	16,626

The state debt consisted of outstanding warrants bearing 6 per cent. interest; certificates of indebtedness, bearing 6

states that the real debt is less than the nominal. The net or real debt is found by subtracting the amount in the sinking fund from the nominal debt. The bonds of a Maryland debt were recently wholly in the sinking fund.

per cent. interest; and loco weed certificates unredeemed; in all $666,874. But there was sufficient revenue in the treasury to meet all the debt save $110,379. The state constitution prohibits the legislature from creating a debt in advance of appropriations, beyond the amount provided for by taxation, and consequently the state has no bonded debt.

Connecticut.

The receipts from revenue for the fiscal year ending June 30, 1886, were $1,813,702, the principal items being the following: —

State tax from towns	$437,472
Military commutation tax	102,472
Tax on railroads	626,199
" " insurance companies	225,484
" " savings banks	200,590
" " express companies	8,675
" " telegraph and telephone companies	6,926
" " non-resident stock	71,549
" " insurance agents of other states	22,585

The expenditures for the same period amounted to $3,249,597, over one-half being in payment of interest and in purchase of bonds.

The amount of property, personal and real, as assessed for 1886, was $349,977,339. The rate was 12½ cents on the $100. A tax of one per cent. is levied on railroad companies on the market value of all stock, plus the market value of funded and floating debt, less amount of cash on hand.[1]

[1] This percentage was derived by a calculation based on published returns. The Connecticut system is thus described in the "Report of the Special Tax Commission," made January, 1887: —

"The present system assumes, with certain minor modifications, that

The treasurer holds in custody for the Town Deposit fund, $18,824, on which the interest received is paid to the several towns. There is an Agricultural College fund invested in bonds and mortgages, amounting, in 1886, to $135,000. There is also a large school fund, the interest thereon for the same year amounting to $172,100.

The amount of the funded state debt, July 1, 1886, was $4,271,200; $1,030,000 five per cent. bonds, $1,500,000 of three and one-half per cents., and $1,740,000 three per cents.

Delaware.

There is no state valuation of property, and all state revenues are derived from other sources. The following were the principal receipts of the general revenue for 1886: —

Railroads	$41,528
Licenses (less amount to school fund)	45,423
Interest	24,000
Dividends from banks	4,545
Fees	1,120
Inheritance tax	913

The total receipts into this fund were $121,190; the disbursements, $120,028. The chief items of expenditure were, interest on bonds, $37,000; salary of officers, $33,000; and for free schools, $30,000.

The school fund investments in bank stocks, bonds, etc., amounted to $495,749. This fund receives also a part of the license fees; its share in 1886 was $12,500. The state

the market value of the stock and bonds and floating debt of a railroad company represents the taxable value of the property itself, and that a tax of one per cent. upon that property is practically the average rate that it would pay, if assessed, bit by bit, in each town that the line passes through."

had $73,050 invested in bank stock, and had $600,000 on loan.

The state indebtedness January 1, 1887, was $824,750, as follows: outstanding bonds bearing interest at 4 per cent., $585,000; school bonds at 6 per cent., $156,750; amount on which interest at 6 per cent. is paid Delaware College, $83,000. But the state is practically out of debt, as it holds interest-bearing securities to the amount of $1,168,799.

Florida.

The state treasurer's report for the year ending December 31, 1886, shows the total receipts on account of general revenue to be $383,843, and chiefly from the following sources: —

License tax	$130,420
General tax	246,890
Auction tax	538
Commission taxes	4,175

The expenditures on the general revenue account amounted to $534,466. Of this amount $27,734 was paid for the collection of revenue; for salaries of executive, judicial, and legislative departments, $130,000; for jurors and witnesses, $149,470; for educational institutions, $18,000; and for interest on the bonded debt, $79,954.

For the support of public schools a tax of one mill is levied and paid out to the treasurers of the different counties, amounting, in 1887, to $72,361.

There are several educational funds, fed chiefly by sale of lands and interest on bonds. The amount of bonds in the various funds December 31, 1887, was as follows: —

In the Agricultural College fund	$155,800
" Common school fund	532,284

In the Seminary fund	$92,300
" Sinking fund (Bonds of 1871)	77,900
" " " " 1873	150,300
Total	$1,008,584

The bonded indebtedness of the state is represented by $350,000 bonds of 1871, bearing 7 per cent. interest, and $925,000 bonds of 1873, bearing 6 per cent. interest; in all, $1,275,000. But all save $411,300 is held by the funds named above, so that the outstanding indebtedness is not large.

The "American Almanac" gives the amount of taxable property assessed for the year 1887, $76,611,409, and the rate for the year ending December 31, 1884, 40 cents on every $100. As above stated, one mill on the dollar or 10 cents on every $100 goes to the benefit of public schools.

Georgia.

For the fiscal year ending September 30, 1886, this state has an unusually large budget. The receipts for 1885 were $1,533,320, and for 1886, $4,220,130; the expenditure for 1885, $1,441,338, and for 1886, $4,453,393. This increase is due to a refunding process, the state selling bonds to the amount of $2,508,850, and paying upon the public debt $3,103,392. The chief items of revenue are: —

General tax	$871,130
Railroad tax	95,521
Capital tax	150,223
Insurance tax	21,362
Privilege taxes	176,417
Telegraph, telephone, and express companies . .	5,118
Liquor licenses	67,881
Fees	78,405
Rent of West Point and Atlanta R.R.	300,000
Bank of Rome	18,749

The chief expenditures are on account of public debt, civil establishment, new capitol building, schools, and asylums.

The assessed value of all property was $329,489,505; lands, and city and town property, $182,366,292; railroad property, $22,981,927; personal property, $124,141,286.

The rate of the state tax for 1886 was 35 cents on the $100.

The bonded debt of the state outstanding October 1, 1886, was $9,052,620, the larger issues bearing interest at 4½, 6, and 7 per cent.

Illinois.

The revenues of this state are derived chiefly from taxes and a percentage (7 per cent.) of the gross earnings of the Illinois Central Railroad. Of the total amount — $4,666,444 — received into the general revenue fund, for the two years ending September 30, 1886, $3,774,363 was derived from taxes, $725,208 from the gross earnings of the Illinois Central Railroad, and $150,887 from fees. There was also received from the tax on property, for the use of the school fund, $2,164,739, of which amount there was disbursed $2,132,084.

The total expenditure for the same period from the general revenue fund was $5,122,800. Of this amount $618,861 was paid as salaries of officials; $309,242 to the members of the general assembly; $353,652 for the completion of the state house; $2,353,106 for charitable institutions; and $244,120 for educational institutions.

The total equalized value of all property, personal and real, for 1886 was $726,178,132; of railroad property and capital stock of other corporations, $66,728,678. The aggregate equalized value was $793,563,498, 79.77 per cent. of this being real, and 20.23 per cent. personal.

The rate of taxation for the same year was, for state purposes, 21 cents on every $100, and for state school purposes, 14 cents, making a total rate of 35 cents on every $100.

The state pays an annual interest to the school fund, amounting to $139,848 in the two years named, and to the local bond interest fund, $2,779,038, in the same years.

The state tax is small compared with the total taxes collected for all purposes. In 1885 the state tax was $3,485,083, the county tax $5,024,407, the city tax $7,383,462, the town and district and local taxes were $12,017,757, the registered bond tax $1,535,220, a total of $29,445,931.

The state has really no bonded debt. All bonds have been called in and cease to draw interest, but the principal outstanding amounted, October 1, 1886, to $23,600. The state, however, as has been noted, pays a large sum annually to the counties, etc., as interest.

The local indebtedness is given as follows: —

Counties	$12,579,985
Townships	7,252,048
Cities, villages, and incorporated towns	19,621,675
School districts	2,047,137
Total	$41,500,843

Indiana.

In this state there are numerous funds, chiefly unproductive, among which the receipts are distributed. For the fiscal year, ending October 31, 1887, the receipts into the general fund were $2,373,043; into the school fund $2,127,946; into the new state house fund $168,159; into other funds $69,047; a total of $4,738,198. Of this amount there was received from the state tax $2,709,635, or more than one-half. There was also an additional sum of $32,566 for the support of inmates of asylums, etc.

Among other sources of revenue were the following: —

Fees (insurance)	$23,547
Fees (court and other sources)	15,386
Insurance tax	61,985
Express company tax	366

The total may be somewhat misleading, as in it are included some transfers from one fund to another. Thus the sum $351,430, a payment of interest on bonds, figures in the expenditure column of the general fund, and in the receipt column of the school fund. It has not been found convenient to re-group the receipts and expenditures, and they are therefore given as found.

The expenditures for all purposes were $4,774,226. From the general revenue fund the chief disbursements were: for pay of public officers, clerks, etc., $361,802; for benevolent and penal institutions, $965,155; and for educational institutions, $58,360.

The amount of taxable property as assessed for 1885 — as given by the "American Almanac" — was: real, $566,521,981; personal, $227,004,098; total, $793,526,079. The rate of state tax, 12 cents on each $100. There is a capitation tax of 50 cents per poll for state purposes.

The domestic bonded debt of the state was, October 31, 1887, $4,388,783; the foreign debt, $2,041,826; total, $6,430,608. The domestic debt consists of non-negotiable bonds held by the school fund, Purdue University, and Indiana University.

Iowa.

The total receipts for the two years ending July 1, 1887, were $3,327,981; the expenditures for the same period, $3,511,500. The state tax of two and one-half mills on the dollar was the chief source; the amount received for the

two years named being $2,359,883. Among other revenues the following are the more important: —

Insane dues from counties	$411,840
Other dues for charitable institutions	80,461
Pedlers' licenses	2,195
Insurance taxes	140,355
Fees (insurance)	51,248
Other fees	16,154
Telegraph and telephone taxes	22,552
Railroad commission tax	40,302

The chief items of expenditure are, beside the civil list, schools, penitentiaries, charitable institutions, the militia, and the capitol building, that for charitable institutions being nearly one-third of the total expenditure.

The total equalized value of all property for 1887 is given as $501,369,744: of real, $349,213,676; of personalty, $101,665,098; of railroad property, $38,722,761. The rate as already stated was two and one-half mills on the dollar.

The taxes assessed for all purposes in the state, for 1885, were $14,430,547, the state tax being but $1,201,791.

The state has a permanent school fund amounting, June 30, 1887, to $4,187,893. Of this, the several counties held $3,940,487; the amount in 8 per cent. state bonds was $245,435; the remainder consisted of contracts for real estate sold, and cash. There are two or three other funds to which the proceeds of the sale of certain lands accrue.

The state has no debt except the one of $245,435 to the school fund. This is a permanent debt, and the state is responsible only for the annual interest of 8 per cent.

Kansas.

For the fiscal year ending June 30, 1886, the amount received into the state treasury on all accounts was $2,566,624.

Of this amount, $1,082,476 was derived from taxes; $118,815 from the penitentiary; and $50,863 from the insurance department as license fees. The greater part of the remainder was received from the sale of lands and as interest.

The disbursements for the same period were $2,727,701, and were principally as follows: —

General revenue warrants paid	$1,190,140
Sinking fund warrants paid	45,776
State bonds paid	83,000
School warrants paid	1,026,492
Educational institution warrants paid	130,292
State house fund warrants paid	128,242

The total assessed valuation of all property for 1886 was $277,110,683: of real, $189,635,722; of personal, $55,491,779; of railroad property, $32,453,776. The rate of taxation was $4\frac{1}{10}$ mills on the dollar.

In 1885 the amount of state taxes was $1,044,939; of county taxes, $2,863,258; of city taxes, $950,047; of township taxes, $981,841; of school district taxes, $3,049,936; in all, $8,890,024.

The several state funds are possessed of bonds as follows: —

Permanent school fund	$3,600,323
Normal school fund	61,595
State University fund	91,153
State Agricultural College fund	384,189
State Agricultural College note fund	71,726
Sinking fund	21,000

The state has a bonded indebtedness to the amount of $847,500; but of this amount, in June, 1886, only $273,000 was held by individuals or corporations, the remainder being held by the funds above mentioned. The municipal indebtedness of the state for 1886 is given as $17,779,299.

Kentucky.

In the state auditor's report for the year ending June 30, 1887, the total receipts on account of general revenue are found to be $3,038,638 (this sum, however, includes a transfer from other funds of $150,000). Nearly two-thirds was received from the general tax. The chief receipts are the folllowing: —

Sheriffs' revenue or general tax	$1,845,461
Railroads	148,082
Insurance companies	79,118
Insurance bureau	26,629
Telegraph companies	3,001
Banks, state and national	100,887
Distilled spirits	17,955
Lotteries	4,000
Turnpike dividends	26,686
Licenses (chiefly liquor licenses)	276,704

There was received also from a fund termed the "trustee jury fund," $164,174, collected as fines, fees, etc.

For the same period the expenditures from the general fund are given as $3,058,578. There was paid in salaries, $154,949; to the school fund, $919,111; to the sinking fund, $181,250; for criminal prosecutions, $190,869; and to assessors, $128,036. A considerable sum was paid out for penitentiaries, which was partially balanced by receipts from them.

There was received into the school fund (white) beside above transfer, a slight tax on billiards, cards, dogs, and the banks, and interest on bonds, amounting to $176,248; and into the school fund (colored), $12,545, from sheriffs' revenue, fees, etc.

The assessed value of real property for 1887 was $351,-

157,053; of personal, $132,334,637: of railroad property, $33,722,621; total, $517,214,311. The rate for 1887 was 47½ cents on every $100; for 1886 the tax levy was 51 cents.

The state has a bonded indebtedness amounting to $694,000; but the Agricultural College fund holds $165,000 of it, and the outstanding indebtedness is but $509,000. There are, beside these, state and county bonds amounting to $1,705,946, drawing six per cent. interest: but they are irredeemable, and constitute an inviolable fund. To meet the interest on the above indebtedness, the state has stocks, etc., in the sinking fund to the amount of $710,744. The state, therefore, has practically no debt.

Louisiana.

This state does not seem to have very efficient machinery for a prompt collection of taxes, as on the treasurer's books for 1883 appear returns from taxes laid in 1867. The receipts for the fiscal year ending December 31, 1883, were $1,007,152. From taxes proper was collected $1,108,755; from poll taxes (back), $1,073; from license taxes, $273,918; from levee taxes, $148,061; from lotteries, $40,000; from sale swamp lands, etc., $167,594; from fees, $18,919; and from interest on taxes, $42,759.

There was expended for the same period, on account of all funds, $1,340,964.

The commissions of collectors, etc., amounted to $69,894, or about 4 per cent. of collections.

The following statistics are taken from the "American Almanac":

Amount raised by taxation during the year ending January 1, 1888, $1,565,119; from licenses, $265,000; from auction sales, $2285; from poll tax, $7959; from property tax, $1,215,000.

Amount of taxable property as assessed for 1886: real, $149,145,874; personal, $63,579,590; total, $212,725,464. The rate of state tax for 1886, was six mills on the dollar. A poll tax of $1 is levied for school purposes.

The state debt, May 1, 1887, was $11,982,621 funded, drawing interest at 4 per cent.

Maine.

For the year ending December 31, 1887, the total receipts were $1,161,980; the total expenditures, $1,168,544. Nearly two-thirds of the total revenue was derived from taxes. The following items are taken from the treasurer's report for 1887: —

State tax	$743,113
County taxes (for state purposes, probably)	9,964
Railroad tax	89,797
Savings bank tax	256,430
Insurance company tax	17,294
Telegraph and telephone company tax	7,700
License fees	11,482
Shore rents	3,914
Duties on commissions	2,733
Maine Benefit Association	3,118

The expenditures of the state have not been classified, but are found to be confined to the ordinary purposes, viz.: civil establishment, schools, and charitable and penal institutions.

The assessed valuation of property for 1886 is given: real estate, $148,489,142; personal, $60,220,239; total, $208,709,381. The rate of taxation for 1886 was 3¾ mills on the dollar, for 1887 but 2¾ mills, one mill of which was returned to the various towns of the state for school purposes.

The total liabilities of the state, January 1, 1888, were $5,355,077; of this, the bonded debt was $3,959,000. The state holds in trust certain funds amounting to nearly $750,000, upon which interest is paid. Interest-bearing loans constitute the remainder of the indebtedness.

There was in the sinking fund, December 31, 1887, bonds of the United States, Massachusetts, and New Hampshire, amounting to $947,800, and $1860 cash. During the year 1887 the treasurer cancelled all Maine bonds held in the sinking fund, to the amount of $1,162,000, and beside, purchased and cancelled others amounting to $36,000, leaving the bonded debt of the state as above given.

Maryland.

There was received into the treasury of this state during the year ending September 30, 1887, $2,440,363; and there was paid out $2,374,916. The chief receipts were from —

Taxes from collectors	$864,763[1]
Taxes from incorporated institutions	70,586
Taxes from state and state stocks	44,439
Licenses	521,310
Taxes on commission of executors, etc.	50,855
Taxes on collateral inheritances	45,597
Taxes on gross receipts of railroad companies	52,433
Fees	11,949
Fines	14,811
Dividends from banks, etc.	118,934
Interest (from certain railways)	94,200
Debenture scrip of P. & R. R.R.	45,000

There was expended for salaries of civil officers, $27,295; for various colleges, academies, etc., $43,565; for payment

[1] Taxes from collectors mean the receipts from the general state tax of 18¾ cents on the $100 of all property.

of interest on the public debt, $551,836; on account of free schools and state normal school, $509,959; for the judiciary, $96,540; and for charitable institutions a very considerable sum.

The assessed valuation of all property, real and personal, for 1887 was $485,839,772; corporation property, $61,311,375. The state rate of taxation for 1887 was 18¾ cents on every $100.

The amount of stocks and bonds held for the use of the school fund, September 30, 1887, was $310,986, and in the sinking fund there were stocks amounting to $2,144,216.

The funded debt of the state on the date named, was $10,960,535, bearing, 5, 6, and 3.65 per cent. interest. Subtracting the productive stocks held by the state and sinking fund, the net debt is $5,661,234. The state holds, as an offset, unproductive stocks amounting to $28,268,781, and $1,876,025 due from accounting officers and incorporated institutions.

Massachusetts.

The receipts on account of revenue for the year ending December 31, 1886, amounting to $8,748,652, were derived chiefly from the following sources: —

State tax	$1,499,805
Corporation tax	2,227,579
Bank tax (savings and national)	2,398,267
Insurance company tax	326,336
Licenses (insurance)	22,923
" (liquor)	303,798
" (hawkers and pedlers)	18,029
" (coal and mining companies)	4,777
Fees (court, clerks, etc.)	30,949
Income from Hoosac Tunnel	383,765
Foreign railway company tax	22,919
Interest on deposits	40,614

The payments on account of revenue for the year amounted to $9,317,609. Of this, over $2,000,000, received as corporation tax, was paid out to towns or counties; $1,250,000 was used in payment of a loan; $597,864 was paid to the various departments, executive, judicial, and legislative; $512,017 to the charitable departments; $87,948 for educational expenses; $461,771 to reformatory and correctional institutions; $376,339 for public buildings; $75,000 for certain improvements, etc.

The receipts on account of funds for the year were $4,316,704; the expenditures on account of same were $5,528,247.

There was in the school fund, January 1, 1887, $2,715,944; and in others, exclusive of the sinking fund, $632,056, consisting of state securities, county and town securities, United States and railroad bonds, cash, etc.

There was in the sinking fund $18,964,412, the greater part of it being invested in state and county, city and town securities.

The total assessed valuation of property, January 1, 1887, was $1,847,531,422: of real, $1,340,493,673; of personal, $507,037,749. The rate for 1886 was $86\frac{3}{10}$ cents on $1000.

The total taxes raised in the state for state, county, city, and town purposes, for the year ending May 1, 1888, amounted to $26,701,437, or about $13.75 per capita. No less than 91 per cent. of this was levied for municipal purposes.

The state debt, January 1, 1886, was $31,429,680 funded, all of which, with the exception of a small sum, bears interest at 5 per cent. The entire debt matures by the year 1900.

Michigan.

This state has a general revenue fund, numerous educational funds, and other funds, and the numerous transfers from one to the other of these funds make the analysis of the budget a somewhat difficult one. For the year ending September 30, 1886, the total receipts were, according to the treasurer's report, $3,046,999, of which $2,179,711 was received into the general revenue fund. The chief items of receipt were: from taxes, $1,669,686; from fees, $17,313; from interest, $32,784; from sale of state lands, $31,522; from delinquent taxes, redemptions, etc., $192,592; and from miscellaneous sources, $9579. There is also included in this sum transfers to the amount of $219,344. The expenditures from this fund for the same time were $2,018,143, and principally for the following purposes: for the expenses of state government, $141,947; for the judiciary, $5093; for salaries, $256,705; for colleges and schools, $203,711; for institutions, etc., $361,604; and on account of appropriations, $468,400.

To the specific tax fund were paid the taxes on corporations, amounting to $812,711. Of this amount railroad companies paid $619,399; fire insurance companies, $91,364; life insurance companies, $33,392; and mining companies, $47,565. These receipts were transferred to other funds. The remaining funds are fed chiefly by the sale of lands and interest.

The total amount of taxable property as assessed in 1887 is given as $849,921,063; the rate of taxation 12.72 cents on each $100.

The outstanding bonded debt of the state, September 30, 1886, was $243,149, of which $12,149 was past due, and not bearing interest, and $231,000 due in 1890, bearing interest at 7 per cent.

There is beside a trust fund debt of $4,511,934, upon which the state pays interest for educational purposes. To meet indebtedness, there was in the sinking fund at the above date $231,000 invested in United States 4½ per cent. bonds.

Minnesota.

The receipts into the treasury of this state for the year ending July 31, 1887, were $2,476,530, and were as follows: from the counties, $1,201,223 (the tax for state purposes amounted to but $642,883, the remainder was for school and internal improvement purposes); from railroad companies, $675,745; from insurance companies, $98,365; from telegraph and telephone companies, $10,540; from stumpage, $38,403; from school text-books, $36,328; and from miscellaneous sources, $415,926 (under "miscellaneous" are included chiefly fees from inspection, etc., interest, and penitentiary receipts).

The expenditures for the same period were $2,759,815.

The amount of taxable property assessed for 1887 was: real, $382,337,464; personal, $87,494,258; total, $469,831,722; the rate of state tax, 13 cents on the $100. The taxes for all purposes, state, county, and town, as given by the "American Almanac," have averaged 17.3 mills on the $1, or $1.73 on the $100.

The state loans, represented by bonds, consisted, July 31, 1887, of $3,964,000 railroad adjustment bonds, of which the permanent school fund held $1,981,000, and the permanent university fund, $280,000, the balance being held by outside parties. The permanent school fund, the university fund, and the internal improvement fund, together hold bonds amounting to $4,727,783, there being, as just stated, $2,261,000 invested in state bonds. It is thus seen that the bonds held by these funds more than equal the state debt.

Mississippi.

For the fiscal year ending December 31, 1887, the total receipts into the state treasury were $1,069,568, as follows: —

State tax	$414,775
Privilege tax	142,649
Insolvencies	563
License to retail liquors	109,450
Swamps and overflowed land fund	6,379
Internal improvement fund	2,820
General state fund	10,904
Chickasaw school fund	1,439
Special insurance tax	309
Railroad privilege	140,316
Sale of bonds	211,300
Sale of lands	7,004
Miscellaneous	450

Expenditures were principally for the following purposes: judiciary, $82,216; executive, $34,387; common school fund, $232,624; interest Chickasaw school fund, $64,154; for educational institutions, $118,497; insane asylums, $94,673; railroad tax distributed, $93,446; commission for assessing all taxes, $31,996; principal on loan, $175,000.

The amount of property assessed, 1887, was: of realty, $90,270,135; of personalty, $39,617,119; total, 129,887,254. The state tax on property was 3½ mills on the dollar. The number of polls liable to taxation were 193,445.

The total state debt, January 1, 1888, was $3,752,904. From this amount it is necessary to subtract the amounts due the Chickasaw school, the seminary, and common school funds, because the debt to these is permanent and inviolable, and also the amount of the agricultural land script fund which must be permanently refunded or invested. This makes the real debt only $1,345,246.

Missouri.

There was received from all sources during the year ending December 31, 1886, $3,425,562, the receipts on account of the state revenue and state interest funds, $3,202,007, constituting the greater part of this sum. The receipts into the treasury on account of these funds just named are grouped under three heads: —

From counties	$3,035,820
" railroad, bridge, and telegraph companies	78,370
" miscellaneous sources	87,817

Under the latter head are included taxes on incorporations, of $43,345: on insurance companies, of $22,619; and fees amounting to $5213.

State licenses paid by dramshop keepers amounted to $151,477, but it does not appear from the treasurer's statement that they were paid into the treasury.

The taxes levied for 1886 for the state were: on real estate and personal property, $2,820,271; on railroad, telegraph, and bridge companies, $198,398; on merchants and manufacturers, $186,357; in all, $3,205,026. There does not seem to be close correspondence between the sums levied and the sums collected from the various sources. No explanation has been discovered and the facts are given as found.

The principal expenditures for the year from the revenue fund were: for pay of civil officers, $199,883; for assessing and collecting the revenue, $145,345; for costs in criminal cases, $149,262; for support, etc., of penitentiary, $100,000 (more than covered by receipts on account of); for educational institutions, $79,000; and for asylums, $244,901.

The total assessed value of real estate for 1886 was

$518,803,118; of personal property, $181,133,128; total taxable wealth, exclusive of railroad and telegraph property, $699,936,246. The assessed value of the property of railroad, telegraph, and bridge companies was $42,847,264. The rate of taxation for state purposes was 40 cents on the $100. The county revenue tax was $4,287,396; the county interest and sinking fund taxes, $2,459,156; the school taxes, $3,555,191; road, bridge, and drainage taxes $361,618; and township taxes, $389,725; in all, $14,258,113.

The cost of assessing and collecting the state taxes was a little over four per cent.

The state school fund amounted, December 31, 1886, to $3,134,440, and the state seminary fund to $519,095; all but $440 of the former and $95 of the latter being invested in state bonds, bearing 5 and 6 per cent. interest.

The amount of the state bonded debt at the above-named time was $10,527,000, bonds amounting to $1,276,000 having been redeemed and cancelled during the two years.

Nebraska.

The revenue of this state is derived from taxes, fees collected by state officers, and from insurance companies, sale of lands, and interest.

The following statistics for the two years ending December 1, 1887, are taken from the "American Almanac": —

Total receipts	$3,323,844
Total expenditures	2,822,308

The amount raised by taxation for the year ending December 1, 1887, was $1,305,660.

The amount of taxable property assessed, 1887, was: real, $96,358,889; personal, $40,546,015; railroad, $23,601,362; total, $160,506,266. The rate of the state tax was 81.25 cents on the $100.

The amount of the state debt, November 1, 1887, was $449,267, drawing interest at 8 per cent. There was in the sinking fund $128,761.

Nevada.

The statistics given are for the year ending December 31, 1887. From the property tax there was received into the treasury, $236,855; from tax on proceeds of mines, $13,723; from escheats, $51; from possessory claims, $60; from court fines, $3254; from gaming licenses, $7546; and from a poll tax of $2 per poll, $16,667; total receipts from counties, $278,572. There was received into the several funds beside the above, $188,683, principally from land sales, the other receipts being on account of fees, licenses, interest on bonds, etc.

The actual disbursements were (subtracting transfers from fund to fund) $392,433.

The assessed valuation of real estate was $15,649,537; of personal property, $10,790,670; net proceeds of mines, $1,557,133; total assessment, $27,997,340. The value of railroad property was $9,212,451. The state rate was 90 cents on the $100.

The cost of collection of taxes is about 9 per cent. This large rate is due to the small amount of collections. The cost of collecting revenues from taxes tends to diminish rapidly as population and wealth increases.

The state bonded debt, December 31, 1887, was $541,000; but of this amount $380,000 is an irredeemable debt, held by the school fund, while the remainder is also held by state funds. There is cash enough in the treasury to pay all indebtedness, exclusive of the $380,000.

The state holds in trust, for the state educational funds, about $1,140,000 in bonds and cash. Some of the bonds are state bonds, the remainder United States four per cent. bonds.

New Hampshire.

The state received into its treasury during the year ending May 31, 1886, $500,197, as follows: —

State tax	$400,000
Railroad tax	87,090
Insurance tax	4,832
Interest	1,318
License fees (pedlers)	840
License fees (fertilizers)	550
Charter fees	2,025
Telegraph tax	417
Telephone tax	2,454
Escheated estates	283
Miscellaneous	388

Beside the above an additional railroad tax of $99,890, a savings bank tax of $395,791, and a non-resident savings bank tax of $38,833, were divided among the several cities and towns of the state.

The ordinary expenses were $264,442; the extraordinary, $31,784; and expenditure on account of interest, $178,764; a total of $474,990. The ordinary expenses include salaries and expenses whose payment is provided for by general laws; extraordinary, those which are authorized by special acts of the legislature.

For 1886 the amount of taxable property assessed was: real, $130,298,843; personal, $87,823,711; railroad, $13,536,711; total, $231,659,265; the rate of taxation for state purposes, 19 cents on the $100. The average rate for all purposes was $1.52 on each $100.

The funded debt of the state, June 1, 1886, was $2,926,600 bearing interest at 6 per cent.

New Jersey.

In the comptroller's report for the year, ending October 31, 1886, the receipts are grouped according to the purpose for which they are intended. The following were the principal revenues of the state fund: —

From railroad and canal corporations	$778,290
" miscellaneous corporations	147,415
" state prison receipts	62,073
" dividends	28,870
" fees	31,408
" fines, etc.	2,777
" commissions	490
" temporary loans	250,000

The total amount received into this fund was $1,303,000. The disbursements from the same were $1,258,862: on account of public debt, $90,000; charitable and reformatory institutions, $252,311; courts and crimes, $339,219; state government, $235,016; military purposes, $109,042; publication, $84,851; educational institutions, $38,294; scientific and sanitary purposes, $68,049; and miscellaneous purposes, $42,080.

There was levied a state school tax on property amounting to $1,465,268. Ninety per cent. of the amount paid by each county was repaid to the county for school purposes, and the remaining 10 per cent. was apportioned among the counties by the board of education.

There is, also, levied a local tax on railroads and corporations, which is distributed among the several cities and towns.

The school fund and the Agricultural College fund have, invested in bonds, etc., respectively, $3,871,254 and $116,000.

It will be noticed that all taxes were raised from railroads

nd other corporations, except the tax for school purposes, he rate of which for 1886 was 2.59 mills on the $1. 'here is a poll and property tax for county and school purposes. The total valuation of property assessed was $573,-56,304.

The state debt is represented by war bonds amounting to 1,496,300, bearing 6 per cent. interest. A certain portion of the debt is payable each year, the amount being 100,000 until 1891, after which the sum is variable.

New York.

The receipts into the various funds of the state for the ear ending September 30,1887, were $10,521,194, of which um $9,526,543 was for the benefit of the general fund, the hief sources being the following: —

State tax	$5,801,401
Taxes on corporations	1,239,864
Tax on organization of corporations	201,664
Tax on collateral inheritances	561,716
Auction duty	18,041
Salt duty	58,992
Fees (public officers)	31,391
Fees (notaries)	29,998
Fines	3,144
Interest on deposits	35,310
Public lands	51,382
Non-resident taxes	129,268
Insurance department (fees)	132,268
Electric subway commissions	13,289

The total payments on accounts of these funds were 9,529,886, on account of the general fund, $8,599,886.)f this sum, $2,148,928, the proceeds of a tax of 6.8 cents n the $100, was transferred to the canal fund. It is not possible to enumerate even the principal objects of expenditure.

The above sums given as totals of receipts and expenditures are exclusive of receipts and expenditures for canals and free schools. A part of the receipts into the canal fund, however, is included in the account of the general fund as has been noted, and so receives double mention, and is counted in twice. This increases the seeming revenue over $2,000,000. The necessity for such a system of book-keeping is not apparent, and it is suggested that a better method might be invented or found. Adding in the receipts into the two funds named above, the aggregates become — including transfers: receipts, $17,829,467; expenditures, $16,771,449.

The resources of the several productive funds are given as follows: —

Common school fund	$3,930,157
Literature fund	284,201
United States deposit fund	4,014,522
College land scrip fund	473,403
Military record fund	39,121

The assessed valuation of real estate for 1887 was $3,114,029,214; of personal estate, $346,099,669; total, $3,461,139,614. The rate of taxation for schools was 1.1 mills on the dollar; for general purposes, 1.6 mills.

The town taxes were $13,975,005: county taxes, $34,-281,141: state and school, $9,075,046; the aggregate taxation, $57,331,191.

The total funded debt, September 30, 1887, was $7,444,-300 bearing 6 per cent. interest, nearly all being canal debt. The amount in the sinking fund was $4,061,189. The net debt is given as $3,505,816, and the amount in the treasury on the same date was $3,714,907. This leaves a net surplus of $209,091. The state is therefore practically out of debt, and has in addition the above funds, amounting to over $8,000,000.

North Carolina.

This state has two funds, the "public fund" and the "educational fund." Into the former there was received for the year ending November 30, 1887, $847,864. This sum was derived chiefly from the following sources:—

Public taxes	$505,612
Taxes to pay interest	26,386
Licenses (drummers')	35,275
Licenses (fertilizer)	36,500
Fees	6,535
Tax on telegraph and telephone companies	1,621
" express companies	385
" bank stock	8,922
" insurance companies	19,026
Dividends of North Carolina R.R.	154,674
Tax on gross receipts of same	4,419
Railroad property and franchise tax	16,391

The detailed list of expenditures covers one hundred and thirty pages, and it has not been found possible to arrange and classify them; the total disbursement on account of this fund, however, were $886,334.

There was received into the educational fund $6920, from entries on vacant land, from an incorporation tax, on railroads, and from interest on state bonds.

There were levied in the counties the following taxes for school purposes: on licensed retailers of liquor; on white and colored polls; on bank stock, and on dogs; 12½ cents on $100 of real and personal property; amounting in all to $605,203.

The total valuation of property for 1886 was $202,444,733; of real, $126,883,382; of personal, $75,561,351. The valuation of railroad property, franchise, etc., was $7,075,252; this sum, however, is included in the above total. The rate of the state tax was $3\frac{3}{4}$ mills on the $1.

Ohio.

There was received into the state treasury, on account of general revenue for the year ending November 15, 1886, the sum of $2,755,734, principally as follows: —

From taxes, etc. (county treasurers)	$2,323,254
" public works, rents, tolls, etc.	127,352
" fees (insurance companies)	38,560
" fees (other sources)	16,993
" suspended war claims	12,590
" notes and interest	19,614
" penitentiary (convict labor)	215,257

There was received from sale of bonds $500,887, which is not included in the above aggregate.

The disbursements for the same period, on account of general revenue, were $3,081,965; and were chiefly on account of the expenses of civil government, educational and charitable institutions, and the penitentiary.

The sinking fund is supplied by a general tax and sale of lands, the former amounting, in 1886, to $829,962.

The common school fund also receives a portion of the general tax, and pedlers' licenses, the former amounting in 1886 to $1,660,742, the latter to $1779.

It will be seen that the general taxes are the principal source of revenue, $4,813,958, out of a total of $5,775,904, being received from them in 1886.

The assessed valuation for 1886 was: of realty, $1,173,106,705; of personalty, $515,569,463; total, $1,688,676,168. The rate of the state tax was 2.9 mills on the $1.

Beside the state tax there were county taxes laid amounting to $8,372,519; city taxes, $7,606,025; school taxes, $7,682,120; township taxes, $1,099,963; total taxes, including certain miscellaneous taxes in addition to the above, laid for all purposes, $33,585,306.

The following items have been taken from an abstract of personal property as returned by the assessors: horses, $48,371,124; cattle, $29,490,399; mules, $1,562,174; sheep, $8,888,430; hogs, $5,137,982; carriages, $8,231,763; watches, $2,359,368; pianos and organs, $5,124,032; merchants' stock, $44,661,562; bankers, brokers, etc., $848,465; manufacturers' stock, $16,023,899; moneys, $34,346,612; credits after deducting debts, $108,019,000; property of banks and other corporations, $105,018,572; other personalty, $43,216,488. The number of dogs, assessed at one dollar per head, was 206,748.

The total funded debt of the state, November 15, 1886, was $3,845,229, $2,025,139 bearing 6 per cent. interest, the remainder 4, 3½, and 3 per cent. In addition to the above there is an irreducible state debt, consisting of trust funds of over 4½ millions. The amount in the state sinking fund was $96,237. Debts of cities of the first and second classes are given as about 42½ millions, and of counties 6½ millions.

Oregon.

The receipts into the treasury of this state are distributed among so many funds, that the revenues from a given source cannot without great difficulty be collected. From an examination of the treasurer's report, the principal items in the detailed list of receipts are found to be taxes, income from penitentiaries, sale of land, and interest. The expenditures are also unclassified except by funds.

The total receipts for the year ending January 9, 1887, were $1,870,264; the total disbursements, $1,487,780.

For 1885, the taxable property, real and personal, as assessed, was $77,188,694; the rate of the state tax, 31 cents on the $100.

The notes, etc., held by common school, agricultural college, escheat, and university funds, amounted to $692,424.

The amount of the state debt is $110,000.

Pennsylvania.

This state has no general tax on lands. The following are the chief sources of revenue, and from them were derived, during the year ending November 30, 1887, sums as follows: —

Tax on corporation stock, etc.	$1,702,057
" gross receipts (corporation)	776,388
" stock of banks, safe deposit and trust companies	431,628
" personal property	864,355
" writs, wills, deeds, etc.	117,496
" collateral inheritances	763,871
" foreign insurance companies	377,571
" net earnings or income	81,597
Licenses (tavern)	565,164
" (eating houses)	90,989
" (wholesale liquor)	39,821
" (brewers and bottlers)	24,587
" (retailers)	405,105
" (other than above)	76,833
Bonus on charters	148,625
Notaries' commissions	15,575
Commutation tonnage tax	460,000
United States government	172,000
Allegheny Valley Railroad	212,500
Fees	61,952

The total receipts into the treasury were $7,646,147.

The payments from the treasury were chiefly as follows: expenses of government, $1,938,619; loans redeemed, $1,418,511; interest on loans, $720,277; penitentiaries, $138,974; charitable institutions, $780,219; reformatories,

$230,040; and common schools, $1,171,812. The total expenditures were $7,366,763.

The valuation of personal property in the several counties and taxable for state purposes, in 1887, was $401,079,562, the tax rate thereon being 3 mills on the $1. This is exclusive of property of corporations.

The funded debt of the state, December 1, 1887, was $15,692,600; the unfunded and non-interest-bearing debt, $147,871; a total debt of $15,840,471. Of the funded debt, $500,000 drew interest at 6 per cent., $5,233,500 at 5 per cent., $7,844,200 at 4 per cent., and $2,114,900 at 3½ per cent.

The state has a considerable sum in stocks of incorporated companies and in the sinking fund; the exact amount for 1887 has not been found; for 1885 the amounts in these together amounted to $8,600,000.

Rhode Island.

In the state treasurer's report for the year ending December 31, 1887, the receipts are given as $737,751, the expenditures for the same period, $852,704. The principal receipts were the following: —

State tax	$394,237
Savings institutions	145,135
Insurance companies	46,027
Foreign insurance agents	33,049
Courts	28,755
Jailers	4,887
Pedlers' licenses	2,855
Auctioneers	2,154
Charters	5,750
State institutions in Cranston	39,741
Dividends on school fund	12,909
Tax on telephone companies	1,559
" telegraph companies	597
" express companies	1,233

The principal expenditures were: on account of special appropriations, $59,820; for interest on state debt, $80,760; to commissioners of sinking fund, $100,000; for public schools, $119,989; for support of state institutions at Cranston, $162,015; for salaries, $86,349; for expenses of the general assembly, $21,560; and for the courts, $58,931.

The amount of taxable property was as assessed for the state tax, 1886: real, $243,658,190; personal, $84,872,369; total, $328,530,559. The rate of the state tax was 12 cents on each $100.

The funded debt of the state, January 1, 1888, was $1,341,000 bearing 6 per cent. interest. There was at the same date in the sinking fund $701,504.

South Carolina.

The total net revenue of the state for the fiscal year ending October 31, 1887, was $977,363, nearly all of which sum was received from taxes and on account of phosphate royalties, the former amounting to $707,929 (net), and the latter to $208,786. Other items given in the list of receipts are: insurance fees, $4075; returns from the agricultural department (probably fertilizer fees) amounting to $24,178, and from the sinking fund commission, $13,853.

The expenditures for the year were $969,787: $60,845 on old accounts; $253,710 for current expenses; $355,262 for payment of interest on public debt; $128,781 for penal and charitable institutions; and for miscellaneous purposes, $171,198.

The assessed value of property for the year 1887 was: real estate, $82,943,380; personal property, $41,867,145; railroad property, $16,263,822; total, $141,074,347. The rate of the state tax was 4½ mills on the dollar. The county

taxes laid for the same year were $668,788; the school taxes, $300,064.

The following items appear in the aggregate list of personal property for the year: horses, $3,321,101; cattle, $1,808,844; mules and asses, $3,864,212; sheep and goats, $88,576; hogs, $368,365; watches and plate, $506,127; piano-fortes, melodeons, or organs, $407,315; pleasure carriages, $1,969,593; dogs, $336,452; property of merchants, $6,578,459; of manufacturers, $1,084,587; manufactured articles on hand, engines, etc., $4,440,100; moneys, $2,157,806; all credits, $3,703,793; stocks of any company except national banks, $1,559,606; bonds not exempt, $1,738,625; all other property, $7,385,158.

The total funded debt, October 31, 1887, was $6,122,928; the unfunded, $276,814; a total debt of $6,399,743. County and township debts were $2,253,688; city and town debts, $5,276,083.

The sinking fund held sums to the amount of $20,000.

Tennessee.

From December 20, 1884, to December 19, 1886, the receipts of the state were $2,581,553, and the total disbursements, $3,291,301.

The receipts were principally from the following sources: —

Trustees (*i.e.* general tax)	$1,231,437
County clerks (privilege taxes)	664,022
Other clerks (fees, fines, etc.)	66,700
Insurance companies	69,012
Banks	13,126
Railroads	172,945
Express companies	9,080
Telegraph companies	754
Insurance fees	14,328
Escheats	5,877

Redemption of lands	$48,691
Turnpike company	26,585
Certain railroads	12,860

The principal items of disbursement were: interest on state debt, etc., $1,327,953; judicial salaries, $190,044; executive salaries, $22,828; legislative expenses, $84,000; and hospitals, etc., $388,000.

The assessed valuation of property for 1886 was: lands, $140,994,711; town lots, $59,123,554; personal property, $24,790,914; railroad property, $31,547,582; total, $256,456,761. The rate of taxation was 30 cents on every $100.

The debt of the state funded under an act of March, 1883, was, December 20, 1886, $11,412,900; 6 per cents. $725,200; 5 per cents., $357,100; 3 per cents., $10,330,600. The unfunded debt amounted to $7,548,995.

Texas.

As there are in this state no less than thirty different funds or accounts, the collection of revenues from one source and another into a single sum is a difficult task, but as to most of the minor funds there accrued little else than proceeds from land sales and interest, attention will be given to the two more important funds, the "state revenue" and "available school" funds.

Into the former fund there was received for the year ending August 31, 1887, $2,353,025, chiefly from the following sources: —

General taxes	$2,126,060
Special occupation tax	77,224
General land office (fees, etc.)	60,656
Fees (office, indigent, etc.)	48,564
Railroad companies	11,712

Into the available school fund was received $2,109,695: from taxes, $1,069,738; from state land board, $125,000; lease of school lands, $24,774; from interest, $817,511.

The disbursements of the first fund were on account of current expenses, of the latter for school purposes.

The total receipts for the year on account of all funds were $5,499,043; the total disbursements, $4,972,386.

The classes and value of property returned for taxation, for 1887, were as follows: land, $282,599,397; town lots, $105,226,386; railroads, $48,274,237; telegraph lines, $576,-362; land certificates, $206,830; steamboats, etc., $348,040; carriages, wagons, etc., $6,697,934; manufacturers' tools, etc., $7,251,608; materials and manufactured articles, $818,-403; horses and mules, $33,166,338; cattle, $51,008,550; jacks and jennets, $415,471; sheep, $5,016,674; goats, $493,605; hogs, $1,141,655; goods, wares, and merchandise, $28,393,104; money on hand, $11,827,284; miscellaneous, $33,376,809; total (adding approximate value of lands in unorganized counties owned by non-residents) $650,412,401.

The state *ad valorem* tax was 25 cents on the $100; the school tax, 12½ cents; the state revenue poll tax, 50 cents per capita; and the school poll, $1. The taxes levied for 1887 were as follows: —

State *ad valorem* tax (25 cents on the $100) . .	$1,626,103
School tax (12½ cents on the $100)	813,119
State revenue poll (50 cents per capita) . . .	173,961
School poll ($1 per capita)	348,006
	$2,961,189

It will be readily understood that taxes *levied* and taxes *collected* in any one year differ by very considerable sums.

There was collected in the several counties an occupation

tax, no fewer than forty occupations being subject thereto. In the above account of receipts into the general revenue, mention is made of a "special occupation tax," which is made payable to the comptroller of the state. The general occupation taxes, however, do not seem to be paid into the state treasury, as no account of them is found in the table of receipts.

These occupation taxes collected in counties amounted, in 1887, to $648,555, the greater part of which was collected from liquor-dealers, viz.: —

From retail liquor-dealers	$395,100
" sale by quart	62,400
" wholesale liquor-dealers	10,200
" beer dealers	45,950
" all other occupations	134,905

These occupation taxes are evidently the same thing as the license taxes of other Southern states, a payment for the privilege of gaining a livelihood in the occupations subject thereto. Although a tax is required for engaging in many occupations, the revenues from all save liquor-dealers are small.

The state had, August 31, 1887, a bonded indebtedness amounting to $4,237,730; but of these bonds the greater part was held by funds of the state, the amount in the hands of individuals being but $1,245,830. The newspapers report that the governor of Texas has called a special session of the legislature to determine what shall be done with a surplus of $3,000,000 which has accumulated.

Vermont.

During the year ending July 31, 1886, there was received into the state treasury, $518,461, and paid out, $380,646. The principal receipts were as follows: —

State tax	$171,011
Corporation tax	200,686
Fees (probate judges)	12,321
County clerks	29,565
Licenses, foreign insurance, and fertilizer companies	3,844

The expenditure on account of interest was $18,963; in ayment of auditor's orders, *i.e.* for current expenses, 311,632; and in payment of loans, $36,000.

The amount of taxable property as assessed, 1886, was: eal, $107,264,665; personal, $49,927,597; total, $187,192,-62. The rate of the state tax on property was 10 cents on ach $100.

The state holds in trust several funds, educational and therwise, amounting to over $500,000.

The state has practically no debt. The total bonded ebt, represented by 6 per cent. bonds held in the Agricul-ıral College fund, is more than covered by resources in the reasury.

Virginia.

The principal receipts into the treasury of this state were or the year ending September 30, 1887: —

Real estate tax	$755,921
Personal property tax	238,142
Capitation tax	160,542
Bank tax	29,961
Railroad tax	308,428
Licenses (liquor)	244,413
Licenses (other)	374,608
Income tax	20,755
Insurance company tax and license	31,859
Telegraph and telephone tax and license	4,356
Oyster tax	13,329
Clerks (court fees)	77,048
Fines	14,550

The total receipts were $2,569,339; the disbursements, $2,626,713. Of the latter, $743,483 was paid out on account of public schools; nearly $400,000 for lunatic asylums, etc.; nearly $500,000 as interest; $107,732 to officers of the government; and $237,978 for criminal charges.

The assessed valuation of real estate for 1887 was $257,468,760; of personal property, $81,873,963; of railroad property, $35,700,515; total, $375,043,238. The rate of the state tax was 40 cents on each $100 of valuation.

The amount of the state debt, October 1, 1887, funded, under act of February 14, 1882, was $29,095,967, $10,000,000 drawing 3 per cent. interest, the remainder 6 per cent.

The state has a sinking fund, but the exact amount of it has not been found.

West Virginia.

The state has four funds, the total receipts into which for the fiscal year ending September 30, 1886, were $1,167,514. There was received into the state fund, principally from the following sources, $669,668: —

State tax	$342,858
License tax	75,781
License tax (on corporations)	6,800
Railroad tax (state)	25,035
Railroad tax (county and district)	129,901
Railroad tax (municipalities)	8,830
Loan	35,009
C. & O. R.R.	25,795

The expenditures from this fund were chiefly for current expenses, and amounted to $672,110.

There was received into the general school fund, from general taxes, $330,789; from fines, $11,449; from railroad tax, $12,517; from the C. & O. R.R., $11,707; and consid-

erable sums from interest and dividends on stocks. And there was received into the public building fund from general tax, $61,939; from the railroad tax, $6074. The total amount received from the general tax thus was $735,586, or about two-thirds of the total receipts, and from the railroad tax $183,000, or about one-sixth. The amount of this tax collected for counties and municipalities was distributed to them.

The total assessed value of property for 1886 was: real, $116,746,529; personal, $42,768,223; railroad property, $14,488,758; total, $174,003,510. A capitation tax of $1 was also laid for school purposes. The rate for all purposes was 35 cents on each $100, — 20 cents for state purposes, 10 cents for school purposes, and 5 cents for public building purposes.

The school fund had invested in bonds, October 1, 1886, $570,473, $137,511 of which was represented by state bonds. The constitution provides that the school fund must be maintained, and certain revenues are set apart for its increase. The income from the fund may be expended, but any unexpended balance must be added to the capital of the fund.

The state has no debt, the constitution forbidding the creation of any debt, except in an emergency like invasion. Virginia claims that West Virginia should share the *ante bellum* debt, but no adjustment has yet been made.

Wisconsin.

Wisconsin has, like several other states, numerous funds; but as most of these are fed by land sales and interest, it will be necessary to examine only the general fund and, perhaps, the school fund.

The receipts of the general fund for the year ending Sep·

tember 30, 1886, were $1,770,265. Of this sum there was received from counties, principally as interest, $893,304; from corporations, as licenses, $831,459; and from sundry sources, $45,502. There was no general tax for state purposes; but a tax of about 1½ mills on the dollar was laid for schools and charitable institutions. Of the total sum received as licenses from corporations, $747,870 was paid by railroads.

The expenditures from this fund were $1,722,464, as follows: for salaries, $881,390; for legislative expenses (the legislature not sitting this year), $2038; for charitable and penal institutions, $309,099; for clerk hire, $42,285; for labor about capitol, $37,700; for sundry purposes, $489,952.

Beside income from sale of lands, and interest, the school fund received certain fines and forfeitures.

The valuation of property, as assessed for 1886, was: real, $398,372,090; personal, $104,713,164; total, $503,085,254.

The school fund had invested, September 30, 1886, in bonds, etc., sums to the amount of $2,978,118; the university fund, $190,998; the agricultural college fund, $258,597; and the Normal School fund, $1,398,740.

The state has practically no debt, although it has nominally a funded debt of $2,252,000. There was outstanding, September 30, 1886, but $1000, the remainder being converted into certificates of indebtedness, and held by the several funds above mentioned.

3. TABLE SHOWING RECEIPTS AND EXPENDITURES OF STATES.

In the appended table are grouped the principal receipts common to the budgets of several states, and there are also given the total receipts and expenditures of the various states. It will not be necessary to add many explanatory

ES.

STA	RI- TAX.	OTHER SOURCES.	TOTAL RECEIPTS.	TOTAL EXPENDITURE.
Alabama		$116,706	$888,724	$818,366
Arkansas		...	1,445,120	515,605
Californi		1,093,000	6,476,230	5,787,612
Colorado		344,096	918,697 [1]	707,976 [1]
Connecti		198,900	1,813,702	3,249,597
Delaware	13	32,206	121,190 [2]	120,028 [2]
Florida		6,533	383,843 [2]	534,466 [2]
Georgia		2,909,414	4,220,130	4,453,393
Illinois		371,834	3,416,828 [1]	3,631,552 [1]
Indiana		1,927,645	4,738,198	4,774,226
Iowa		379,072	1,663,991 [1]	1,755,750 [1]
Kansas		1,433,285	2,566,624	2,727,701
Kentucky		561,757	3,038,638 [2]	3,058,578 [2]
Louisiana		595,560	1,907,152	1,349,964
Maine		33,900	1,161,980	1,168,544
Maryland	97	873,785	2,440,363	2,374,916
Massachu		1,916,189	8,748,652	9,317,609
Michigan		377,956	3,002,423 [2]	2,830,854 [2]
Minnesot		501,197	2,476,530	2,759,815
Mississip		262,378	1,069,568	1,029,638
Missouri		132,063	3,425,562	3,337,131
Nebraska		...	1,661,922 [1]	1,411,154 [1]
Nevada		206,187	467,255	392,423
New Ha		4,870	500,197	474,990
New Jers		952,946	3,375,327	3,341,404
New Yor	16	6,118,781	17,829,467	16,771,449
North Ca		218,603	847,864 [2]	886,334 [2]
Ohio		906,393	5,775,904	5,573,721
Oregon		...	1,870,264	1,487,780
Pennsylv	71	1,348,690	7,646,147	7,366,763
Rhode Is		114,294	737,751	852,704
South Ca		241,181	977,363	969,787
Tennesse		175,494	1,290,776 [1]	1,645,651 [1]
Texas		2,105,091	5,499,043	4,972,386
Vermont		101,034	518,461	380,646
Virginia		458,323	2,569,338	2,626,713
West Vir		266,347	1,167,514	979,694
Wisconsi		22,755	885,132 [1]	861,232 [1]

eceipts and expenditures for one year.

[5] Privilege taxes.

notes, as the reader will find detailed information regarding the finances of the states in the preceding pages.

The table must be more or less unsatisfactory in its nature, for the reason that, as above stated, there is so little uniformity among the states in the manner of keeping their accounts. The "general tax," for instance, is not the same in all states. In one state it is a mere tax on property, excluding corporations; in another, the property of corporations is included in the general assessment; while in a third a poll tax is inseparably connected with the property tax. The tax on railroads is sometimes included under the head of the general corporation tax, sometimes given separately. The liquor license tax, too, is sometimes included in the general license tax and cannot be separated. But the table has, perhaps, in spite of inexactness, the merit of showing in a more graphic and condensed form than can otherwise be given, the chief sources of state revenues.

The total receipts of all the states as given below are $109,543,870; the total expenditures, $107,299,152; of the territories (exclusive of Alaska), the receipts were $1,608,712, the expenditures $1,317,020; making thus the total receipts of states and territories, $111,152,582; the total expenditures, $108,616,172. It must, however, be remembered, that these figures are merely approximate. In some cases it has been necessary to divide by two the receipts and expenditures, which were found for two years. In some cases funds are necessarily excluded which are in other cases included.

4. RECEIPTS AND EXPENDITURES OF THE TERRITORIES.

TABLE

Showing receipts, expenditures, amount raised by taxation, valuation of property, debt, and rate of taxation of the territories (exclusive of Alaska).

TERRITORY.	FOR THE YEAR ENDING	RECEIPTS.	EXPENDITURES.	AMOUNT RAISED BY TAXATION.	VALUATION OF PROPERTY, REAL AND PERSONAL.	DEBT.	RATE OF TAX PER $100, GIVEN IN CENTS.
Arizona	Jan. 1, 1887	$163,012	$126,825	. . .	$26,313,500	$502,000	. . .
Dakota	Dec. 1, 1886	552,895	475,271	$390,504	157,084,366	1,098,800	0.29
Idaho	April 1, 1887	87,200	42,150	59,860	20,741,192	200,855	0.35
Montana	Jan. 1, 1888	225,000	200,000	225,000	60,000,000	. . .	0.20
New Mexico	Dec. 1, 1882	96,122	120,006	94,353	56,000,000	. . .	0.50
Utah	Jan. 1, 1886	193,629	129,446	208,822[2]	34,821,957	none	1.20
Washington	Jan. 1, 1886	110,535	76,017	139,006	50,215,581	none	. . .
Wyoming	Mar. 9, 1887	180,319	147,305	71,080	26,005,992	195,000	0.301

[1] Compiled from Spofford's "American Almanac" for 1888.

[2] One-half for schools.

YEARS.	1ST QUALITY OF LAND.	2D QUALITY OF LAND.	3D QUALITY OF LAND.	TOTAL NUMBER OF ACRES.	RATE OF TAXATION PER 100 ACRES.			TOTAL TAXES.
	Acres.	Acres.	Acres.		1st quality.	2d quality.	3d quality.	
1800 . .	...	...	...	...	$0 85	$0 60	$0 25	$19,240 67
1801 . .	...	...	...	...	55	35	17	29,114 19
1802 . .	...	...	...	...	60	40	20	22,923 09
1803 . .	101,709	2,326,226	3,641,694	7,069,629	60	40	20	22,331 06
1804 . .	...	...	...	...	70	50	26	22,331 04
1805 . .	...	...	...	7,252,856	90	65	40	43,512 95
1806 . .	...	...	...	7,917,590	90	65	40	48,260 48
1807 . .	...	...	...	7,886,840	90	65	40	43,632 79
1808 . .	147,093	5,080,131	5,251,803	10,479,029	1 00	75	50	67,501 60
1809 . .	141,805	3,971,825	5,810,403	9,924,033	1 00	75	50	63,991 87
1810 . .	129,741	4,177,950	5,625,408	9,933,099	1 25	1 00	65	85,964 39
1811 . .	234,335	6,456,113	5,444,329	12,134,777	1 25	1 00	65	170,546 74
1812 . .	185,775	5,585,367	5,598,890	11,370,032	1 25	1 00	65	155,137 07
1813 . .	179,666	4,858,750	5,895,907	10,934,323	1 25	1 00	65	108,761 24
1814 . .	180,370	4,919,968	5,995,540	11,095,878	2 00	1 50	1 00	165,196 48
1815 . .	174,819	4,856,997	6,058,398	11,090,214	3 60	2 68⅓	1 78	259,486 19
1816 . .	173,741	4,366,846	6,098,517	10,639,104	3 75	3 00	2 00	229,897 98
1817 . .	165,492	5,027,390	6,138,738	11,331,620	3 00	2 25	1 50	231,811 68
1818 . .	205,344	5,174,726	6,334,398	11,714,468	2 00	1 50	1 00	169,185 43
1819 . .	126,138	5,251,270	7,261,632	12,639,040	1 50	1 00	50	179,475 62
1820 . .	255,082	7,304,638	5,759,323	13,319,043	1 50	1 00	50	205,346 95
1821 . .	242,914	7,734,974	6,402,336	14,380,224	1 00	75	50	171,648 68
1822 . .	226,084	6,870,921	6,585,449	13,682,454	1 50	1 12½	75	188,647 53
1823 . .	234,600	6,859,439	7,016,342	14,110,381	1 50	1 12½	75	194,289 95
1824 . .	222,852	6,822,230	7,675,566	14,720,648	1 25	87½	56	170,761 20
1825 . .	178,998	5,672,277	7,173,798	13,025,073	1 50	1 12½	75	200,405 25

YEAR.	VALUE OF REALTY.	VALUE OF PERSONALTY.	TOTAL VALUE OF TAXABLE PROPERTY.	STATE TAX.	TOTAL.
1826	$15,946,840	$11,035,820	$57,982,640	$105,816 00	$392,783 00
1827	47,206,386	12,375,336	59,591,722	188,830 00	472,094 00
1828	50,116,513	12,168,841	62,285,054	187,906 00	498,481 00
1829	49,511,733	16,788,170	66,299,903	174,412 00	441,191 00
1830	50,086,250	14,589,335	64,675,578	232,472 00	598,595 00
1831	50,627,110	15,793,666	66,420,776	240,991 00	615,651 00
1832	55,013,412	19,229,620	74,243,032	264,954 00	685,909 00
1833	58,280,851	19,738,675	78,019,526	247,079 00	730,010 00
1834	57,399,577	23,500,073	81,100,660	172,434 00	703,104 00
1835	75,760,797	21,188,408	96,949,205	147,854 00	805,050 00
1836	72,223,906	27,029,444	99,253,356	211,932 00	1,007,216 00
1837	75,782,176	25,890,566	101,672,742	337,264 00	1,205,362 00
1838	80,923,608	26,553,182	107,476,790	434,061 00	1,505,210 00
1839	83,080,406	28,143,791	111,224,197	553,475 00	1,770,161 00
1840	85,287,291	27,038,895	112,326,156	564,435 00	1,755,539 00
1841	100,851,837	27,501,820	128,353,657	642,153 00	1,890,405 00
1842	104,322,013	28,021,822	132,343,835	660,759 00	2,026,857 00
1843	105,496,382	28,167,312	133,663,794	934,899 00	2,361,842 00
1844	107,142,152	29,000,514	136,142,666	948,996 00	2,340,663 00
1845	108,185,744	35,974,725	144,160,469	1,006,001 00	2,409,171 00
1846	109,940,636	40,352,496	150,293,132	1,214,897 00	2,580,073 00
1847	306,798,730	83,964,430	410,763,100	1,131,398 00	2,847,673 00
1848	330,995,273	90,072,818	421,067,991	1,265,769 00	3,241,955 00
1849	335,839,311	95,000,074	430,839,385	1,296,547 00	3,631,878 00
1850	341,389,838	98,487,502	439,876,340	1,413,830 00	4,227,708 00
1851	346,341,233	115,807,387	462,148,620	1,687,392 00	4,957,013 00
1852	354,937,147	152,644,763	508,581,911	1,776,537 00	5,674,335 00
1853	363,490,901	229,905,947	593,396,848	3,026,324 00	8,823,805 00
1854	569,868,410	297,061,572	866,929,982	3,077,601 00	9,092,339 00
1855	577,858,538	283,018,815	860,877,354	2,754,807 00	8,954,512 00
1856	580,634,487	240,026,550	820,661,037	2,626,132 00	8,009,514 00
1857	585,620,682	263,793,897	849,414,579	2,609,395 00	8,673,298 00
1858	590,285,947	240,514,084	840,800,031	2,978,122 00	9,756,650 00
1859	594,114,004	251,795,947	845,909,951	2,997,918 00	10,083,608 00
1860	639,894,311	248,408,290	888,302,601	3,503,713 00	10,817,676 00
1861	634,883,552	248,966,532	892,850,084	4,056,379 00	11,656,814 00
1862	645,670,080	243,615,312	889,285,392	4,129,473 00	10,135,284 00
1863	649,500,022	286,871,222	936,371,244	4,722,608 00	11,859,574 00
1864	655,498,100	351,198,016	1,006,696,116	5,329,963 00	16,595,639 00
1865	660,557,979	409,047,876	1,069,505,855	5,663,367 00	20,870,828 00
1866	663,647,542	442,561,379	1,106,208,921	3,867,167 00	18,868,437 00
1867	673,993,757	464,762,022	1,138,754,779	3,981,099 00	20,253,615 00
1868	683,452,487	460,008,899	1,143,461,386	3,997,472 00	20,489,148 00
1869	697,018,203	459,762,252	1,157,180,455	4,045,476 00	22,232,877 00
1870	707,846,636	459,684,861	1,167,731,697	4,666,242 00	23,463,631 00
1871	1,025,619,034	476,510,937	1,502,129,971	4,350,728 00	22,955,388 00
1872	1,030,163,528	494,159,590	1,524,323,118	4,414,557 00	23,248,979 00
1873	1,041,763,931	525,510,708	1,567,274,639	5,477,859 00	26,131,353 00
1874	1,052,257,736	528,121,588	1,580,379,324	5,030,367 00	26,837,196 00
1875	1,062,915,044	535,660,818	1,598,575,862	4,948,995 00	27,952,971 00
1876	1,076,788,367	520,681,599	1,597,469,966	4,626,629 00	28,521,256 00
1877	1,084,455,378	490,190,387	1,574,645,765	4,560,379 00	27,514,650 00
1878	1,091,116,952	461,460,552	1,552,577,504	4,496,376 00	26,324,445 00
1879	1,093,768,904	442,979,885	1,536,748,789	4,450,341 00	25,756,665 00
1880	1,102,049,931	456,166,134	1,558,215,965	4,513,240 00	29,092,048 00
1881	1,101,457,383	485,750,196	1,587,207,579	4,598,057 00	27,606,380 00
1882	1,116,681,655	518,229,079	1,634,910,734	4,735,748 00	30,618,785 00
1883	1,131,038,750	542,207,121	1,673,265,871	4,847,639 00	31,387,041 00
1884	1,145,475,210	528,298,871	1,673,774,081	4,681,339 62	32,787,417 00
1885	1,160,165,882	509,913,986	1,670,079,868	4,840,727 97	33,737,435 44
1886	1,173,106,705	515,569,463	1,688,676,168	4,894,593 98	33,378,558 16

There were re-valuations of the real property of the state for the years 1826, 1835, 1841, 1847, 1854, 1861, 1871, and 1881.

6. TAXATION IN NEW YORK.

SCHEDULE

Showing the aggregate valuation of real and personal property, the state and local taxes in New York state, and the rate per cent. for each year, from 1846 to 1887, inclusive.

YEAR.	AGGREGATE VALUATION.	STATE TAXES, EXCLUSIVE OF SCHOOL TAX.	TOWN, COUNTY, AND SCHOOL TAX.	TOTAL TAXES.	RATE OF TAX ON $1 VALUATION, IN CENTS.
1846	$616,824,955	$370,557 44	$4,276,904 44	$4,647,461 88	0.753
1847	632,699,993	302,579 97	4,541,046 33	4,843,625 60	0.765
1848	651,619,595	325,638 72	4,969,819 51	5,295,458 23	0.812
1849	665,850,737	334,555 96	5,214,425 32	5,548,981 28	0.833
1850	727,494,583	364,003 75	5,948,783 58	6,312 787 33	0.867
1851	1,077,811,630	578,546 88	6,180,891 38	6,759,638 26	0.627
1852	1,168,335,237	292,641 69	6,715 046 39	7,007,688 08	0.600
1853	1,266,666,190	1,285,125 88	8,060,097 03	9,345,221 91	0.737
1854	1,364,154,625	1,020,926 49	8,615,164 36	9,636,090 85	0.706
1855	1,407,849,304	1,752,717 78	9,924,454 52	11,676,172 30	0.832
1856	1,430,334,696	1,430,000 00	11,312 845 04	12,742,845 06	0.890
1857	1,433,309,713	3,221,775 42	11,941,363 94	15,163,138 36	1.057
1858	1,404,907,679	2,457,533 80	12,968,004 78	15,425,538 58	1.098
1859	1,404,913,679	2,458 599 10	13,894,687 46	16,353,286 56	1 164
1860	1,419,297,520	4,376,167 35	14,579,857 15	18,956,024 50	1.335
1861	1,444 767,430	4,505,523 19	15,896 753 29	20,402,276 48	1 415
1862	1,449,303,948	5,797,215 79	13,659,072 61	19,456,288 40	1 342
1863	1,454,454,817	6,181,432 97	16,865,367 69	23,046,800 66	1.584
1864	1,500,999,877	6,754,499 45	33,119,446 11	39,873,942 56	2.656
1865	1,550,879,685	6,067,816 77	39,893,623 85	45,961,440 62	2.963
1866	1,531,229,636	7,369,041 63	33,199,202 06	40,568,244 69	2 649
1867	1,664,107,725	10,567,064 06	35,951,837 56	46,518,921 62	2 795
1868	1,766,089,140	8,035,705 59	36,262,130 31	44,298,435 90	2 508
1869	1,860,120,770	8,138,028 37	38,033,503 13	46,161,531 50	2 482
1870	1,967,001,185	11,827,225 07	33,501 459 14	50,328,684 21	2 555
1871	2,052,537,898	9,048,271 24	36,626,215 68	45,674,486 92	2 222
1872	2,088,627,445	16,970,097 99	46,541,838 13	63,511,936 12	3.041
1873	2,129,626,386	12,138,870 40	39,305,665 87	51,444,536 27	2.416
1874	2,168,307,873	13,015,847 24	44 795,534 68	57,811,381 92	2.664
1875	2,367,780,102	11,246,955 48	45,679,515 21	56,926,470 69	2 404
1876	2,466,267,273	5,446,340 23	46,702,028 14	52,148,368 37	2 114
1877	2,755,740,318	5,626,303 15	44,610,860 91	50,237,164 06	1.823
1878	2,738,378,600	5,013,971 22	43,033 270 75	48,047,241 97	1 754
1879	2,686,139,133	4,773 269 24	42,375,205 80	47,148,475 04	1 755
1880	2,637,869,238	6,370,454 21	42,747,327 97	49,117,782 18	1.862
1881	2,681,257,606	2,976,195 94	46,310,576 61	49,286,772 55	1.838
1882	2,783,682,567	3,757,071 47	44 815,848 60	47,573,820 07	1 709
1883	2,872,257,325	6,235,070 66	44 701,118 30	50,936,188 95	1.773
1884	3,014,591,372	4,582 178 88	47 790,528 12	52,172,707 00	1 737
1885	3,197,163,785	6,065,673 65	51 196,376 37	57 202,050 02	1 850
1886	3,224,682,143	5,804 428 22	52,305,650 74	58 110,078 96	1.802
1887	3,361,128,177	5,377,805 09	51,953,380 49	57,331,191 58	1.705

7. REVENUES OF NORTH CAROLINA.

TABLE

Showing the amount of Receipts and Disbursements of the State of North Carolina for each Fiscal Year from 1868 to 1887 inclusive.

YEAR.	PUBLIC FUND.		EDUCATIONAL FUND.		TOTAL RECEIPTS.	TOTAL DISBURSEMENTS.
	Receipts.	Disbursements.	Receipts.	Disbursements.		
1868	$1,925,564 98	$2,019,909 41	$21,564 64	$35,866 01	$1,947,129 62	$2,055,755 42
1869[1]	8,550,877 62	8,687,428 97	169,870 42	167,158 18	8,720,748 04	8,854,587 15
1870	3,557,867 48	3,454,214 10	333,973 76	203,411 01	3,891,841 24	3,657,625 11
1871	558,147 38	645,579 79	229,990 79	177,494 94	788,138 17	823,077 91
1872	654,476 21	628,532 70	46,000 81	173,275 92	700,477 02	801,808 62
1873	481,224 91	524,168 47	41,705 01	83,007 18	522,999 92	607,175 65
1874	667,114 49	448,839 68	44,384 21	56,260 94	711,498 70	504,869 62
1875	508,317 67	551,816 78	43,677 08	37,959 97	551,994 75	589,776 75
1876	524,039 17	528,055 22	42,235 59	54,702 93	566,274 76	582,758 15
1877	533,635 55	613,264 59	33,783 57	24,433 10	567,419 12	637,697 69
1878	533,322 04	534,187 07	12,592 39	4,915 03	545,914 43	539,102 10
1879	553,339 96	577,658 41	5,269 65	4,074 90	558,609 60	581,733 31
1880	546,796 04	492,720 33	6,233 47	4,000 00	553,029 51	496,720 33
1881	645,743 05	625,616 59	114,501 31	50,651 25	760,244 36	676,067 84
1882	755,881 44	629,112 37	12,712 05	66,125 00	768,593 49	695,337 37
1883	965,107 08	944,343 76	29,879 30	135 00	994,986 38	944,478 76
1884	1,436,775 66	785,641 78	35,200 33	76,228 65	1,471,975 99	861,870 43
1885	378,957 62	795,486 26	7,176 54	5,195 14	386,134 16	800,681 40
1886	835,421 03	1,112,652 31	7,626 25	7,365 85	843,047 28	1,180,017 16
1887	847,864 36	886,334 02	6,920 48	5,524 21	854,784 84	891,858 23

[1] Much the larger proportion of the receipts and disbursements for 1869 are on account of subscriptions to railroad companies, etc., where no money actually passed.

8. ROYALTY FROM PHOSPHATE ROCK IN SOUTH CAROLINA.

By C. Meriwether, A.B.,

Graduate Student of the Johns Hopkins University.

On the rice plantations along certain parts of the South Carolina coast, the planters noticed smooth, dark-colored nodules of rock scattered over the fields. They could see no good in them, and grumbled at being compelled to pile them out of the way of the plough. Among these rice planters on the Ashley River, a few miles above Charleston, was a young geologist, — Francis S. Holmes, — whose attention was directed to these nodules in 1837 by the "beautifully preserved forms of shells, teeth, and bones, mingled with the rocks filled with the casts of shells, corals, and corallines." For several years he collected and preserved many of these specimens. The use of marl as a fertilizer for the South was very widely discussed, and in 1843 the Agricultural Society of South Carolina recommended the farmers to search for marl beds. In common with many other planters, Mr. Holmes sank a pit for this purpose on his land, and came across a stratum of the same nodules a few inches below the surface, and the situation of the phosphatic deposits was established. On finding stone arrow-heads and hatchets in this layer, he thought he had made a discovery that would aid in fixing the age of the deposit; but an older geologist derided the conclusions drawn from this fact, and stated that these specimens might have got in the stratum by accident through a hole from an upturned tree or the burrowing of an animal. Afterwards he came across human bones, but carelessly threw them away, thinking that they found their way there by accident, just as the older geologist had explained the position of the stone

implements. These discoveries really fixed the palæontological age of the post-Pleiocene beds, as the prehistoric age of man; but Professor Holmes never felt safe in drawing this conclusion until he read the work of an English geologist, — Professor Ansted, — on the same deposits in England. It is interesting to note that the age of this formation was established in South Carolina in 1844, while the discoveries for the determination of the age of the same formation in Europe were not made until 1854.

Although the situation of the beds was thus established, no one suspected them as being of any commercial value; but the knowledge would have been blundered into had it not been for the wise reasoning of the scientist. An old planter in 1843 resolved to see if these piles of nodules on his land could not be made serviceable. At a considerable expense he pounded up and ground into powder a large quantity of them, and was going to scatter it on his land, when the scientist, Mr. Ruffin, again stepped forward, and prevented a discovery that was not made till thirty years later. He advised him to throw the powder away, since it could possess no fertilizing properties.

After these two checks by the scientists, nothing more was done till the close of the Civil War. In 1867 Dr. N. A. Pratt, a distinguished chemist from Georgia, analyzed a specimen of the rock, and found that it contained a large percentage of phosphate of lime. Other specimens gathered from the fields showed as high as sixty per cent., and he knew that he had made an important commercial discovery. At this time fertilizers were being very widely introduced into the South, and phosphate of lime was a valuable element in its manufacture. Doctor Pratt and Professor Holmes tried unavailingly for six weeks to induce the capitalists of Charleston to undertake the development of the

industry. They then did as enterprising Southerners without capital have so often done since the war: they went North and showed the advantage of it to Northern men of means, and two gentlemen in Philadelphia were the first to invest.

Of course, theories have been advanced to explain these deposits. It was supposed that they were the remains of animals drifted there during the glacial periods, but the advocates of this view overlook the fact that the nodules are geological rock, and not the fossilized remains of animals. The theory the most generally accepted is that advanced by Professor Holmes. The Eocene marl, in this theory, is the foundation of the whole seacoast land of South Carolina, and in the ages past extended out under the ocean. The mollusca and other animals bored into it, and honeycombed it to the depth of several feet. The pieces were broken off and rolled shoreward by the water, and finally left in basins hollowed out in the sand. This action of the water accounts for their smooth, nodular appearance. When the land was raised, these basins became inland lakes, and as evaporation took place, a layer of salt remained at the bottom, covering the stratum of nodules. But the large percentage (sixty) of carbonate of lime in the original Eocene marl has been nearly all converted into phosphate of lime in the nodules. Two theories have been advanced to explain this change of structure. One attributes it to the action of phosphoric acid which was generated from the fæces and remains of animals, vast herds of which were attracted to these salt-beds as to salt-licks. But this was rejected since nodules the poorest in phosphate of lime were found in the midst of the most of bones. The other theory assumes that certain mollusks largely wrought this change by their power of secretion before the nodule escaped from the action of the sea-water. This was assisted

by chemical agents after the removal of the deposits beyond the action of the tides. This is a general cause, not a local one like that connected with the supposition of salt-licks, and harmonizes with the wide distribution of the formation.

The occurrence of these deposits is confined to the tide-water country, reaching from North Carolina to Florida and extending sixty miles inland in some cases, but none are found at an elevation above that of mean high tide supplemented by the action of storms. No careful survey, unfortunately, has ever been made by the state, but Professor Shepard, of Charleston, in 1880 approximately placed their extent at two hundred and forty thousand acres, of which he considered only ten thousand accessible. Estimates of the quantity, in consequence, vary from five million to five hundred million tons. The first is Professor Shepard's estimate, and now that amount has already been mined without any hint of failure of supply. The average yield per acre on land is eight hundred tons. The formation is known as land or river rock, according to the element in which it is found. The land rock occurs from two to ten feet below the surface, in a layer averaging about eight inches in thickness, and composed of nodules varying in size from a potato to several feet in diameter, and in weight from a few ounces to a ton. It is very simply mined by removing the overlying earth and securing the deposit. The river rock is gathered by hand picking in shallow water, by diving in a depth of ten or twelve feet, and by dredging in a depth beyond that to twenty feet. The industry has been a great boon to labor, as common workmen make $1.75 a day, while divers have earned as much as $18 per week, though working not more than six hours a day, owing to the tides. The rock is washed usually by expensive machinery, and dried often by hot-air process, and then is ready either for shipment or

manufacture. The average price per ton has been about six dollars, and the value of this product in 1887 was more than three times as great as that of the precious minerals mined in all the Southern states. The total value of the raw product has been at least $30,000,000.

When the industry first began to be developed, the attention of capitalists was chiefly directed to the land rock, and even up to 1880 the yield from the river beds was only half of that from the land deposits, but in 1887 it was nearly equal to that from the other source. The bed of all navigable streams, and generally all salt marshes between high and low water mark, and some additional swamps, lands, and streams were claimed by the state, and the term *river-rock* is often applied to the state phosphate possessions. The state at the beginning placed a royalty of one dollar per ton on her deposits, but, even with this, it was found more profitable to mine the river beds and pay the royalty than to invest in the enterprise on land. The plan was adopted of leasing certain defined territory to a company, and of issuing licenses to private persons to gather from the state possessions. The leases have been given for various times, from six months to thirty years. The royalty is uniform, and complaint has been made of the unfairness of requiring rich and poor deposits to pay the same burden. This could be obviated by selling the right to mine in any given limits at public auction, but nothing has so far been done. The state control of this interest has been, on the whole, successful. Up to 1879 the cost of collection was a little over five per cent., and since then the machinery of the Department of Agriculture has been utilized for the purpose, and the cost is practically reduced to almost nothing. The total amount of rock from both sources is nearly four and a half million tons, of which almost one and three-fourths million tons were from the river rock.

The following table shows the total amount of royalty to date: —

RECEIPTS OF PHOSPHATE ROYALTY FROM 1872 TO 1879.

Under Inspectors of Phosphates.

1872 to 1877. (Both inclusive. See Report of Attorney-General, Reports and Resolutions, 1877–78)	$307,042.30
1878	93,115.98
1879 (partly back royalty)	127,507.47
	$527,665.75

RECEIPTS OF ROYALTY FROM 1880 TO 1885.

Under Department of Agriculture.

1880	$65,337.92
1881	124,541.14
1882	138,254.14
1883	125,793.41
1884	153,797.62
1885	176,754.91
	$784,479.14
1886	196,089.88
1887	208,842.61
	$1,189,411.63
Grand total	$1,717,077.38 [1]

[1] The revenues of the state government for three years were as follows: —

1872-1879 (both inclusive)	$10,232,884 10
1880	547,154 72
1881	782,370 17
1882	852,449 76
1883	920,839 36
1884	898,951 26
1885	866,026 65
1886	810,477 01
1887	977,363 74
	$6,655,632 67
Grand total	$16,888,516 77

The state expenditures were abnormally high to 1877 on account of the extravagance of the party in power.

One company paid nearly five-sixths of the royalty for 1881, though there were several others. This source of revenue has gradually increased from less than one per cent. to more than twenty per cent. of the gross revenues of the state in 1887. At first the returns were made on the dried rock, but in 1882 it was very properly provided that the basis should be the crude article.

Although the state engages in no productive enterprise of importance, the temptation to assume direct control of this interest led Capt. J. C. Seegers, of the House of Representatives, to introduce a bill in the legislature in 1887, providing for the direct management of the industry by the state, to be worked with her convicts. The title of the bill reads: "To exempt from taxation all property, real and personal, within the state of South Carolina, and to utilize the resources of the state, especially her phosphate beds and convict labor, in the stead thereof." He also intended the crude rock to be manufactured into fertilizers by the state. The plan seems plausible. There are over a thousand convicts, nearly all of them able-bodied negroes accustomed to such rough work under a hot sun. They are more easily controlled than whites, and there is no danger of a general outburst, under a vigilant overseer. They have been worked in chain gangs in building railroads, and though there was a great outcry of inhuman treatment, yet this was probably due to lack of proper oversight by the penitentiary authorities, rather than inherent in the system itself. The average cost to the state of maintenance of the convicts is about twenty-five cents a day. The phosphate companies do not pay less than a dollar a day for their hands, and this allows a wide margin for alleged difference in efficiency of management between private and public control. Some of the companies pay the royalty and still make large profits, —

sometimes, it is stated, from thirty to fifty per cent., — and the state ought, with the advantages of cheaper labor, to make larger profits. The profits to the state from mining and manufacture might be one dollar per ton, besides the royalty. Then, if the yield should be increased to five hundred thousand tons, as Captain Seegers thought, the entire expenses of the state government would be met, and taxation for state purposes be abolished. Nothing, though, so far has come of the bill except an almost unanimous defeat.[1]

9. ONONDAGA SALT SPRINGS.

The Onondaga Salt Springs Reservation, a tract of land about ten miles square, including the city of Syracuse, one or two neighboring towns, and Onondaga lake, was ceded to the state of New York by the Indians in 1795, in consideration of a cash payment of $1000, and annual royalties of $700 and 150 bushels of salt. The state, by this treaty, is bound to hold and work the property forever. Under an act of 1797, this property was surveyed, divided into lots of ten acres each, and leased to "squatters" then in occupation. Each lessee was required to manufacture ten bushels of salt per annum. At the same time a tax of four cents per bushel was imposed, and a superintendent appointed, by whom the salt was inspected and stored, the state receiving in addition to the above, one cent extra for storage. The brine was at this time raised by the individual, the state permitting one manufacturer to use, if needed, the surplus of water, when his neighbor had all he wished. In 1805 the duty was fixed at three cents. In 1817 it was

[1] Authorities: Handbook of South Carolina, issued by the state; The Phosphate Rocks of South Carolina, by F. S. Holmes; Report of Commission of Agriculture of South Carolina for 1880; Review of Operations of Department of Agriculture for 1885.

raised to twelve and a half cents, in order to aid in the payment for the Erie Canal. A sum of $2,055,458.06 was thereafter contributed from this revenue for the construction of canals. From 1817 to 1825 the Superintendent reported to the Commissioner of the canal, but after the latter date, to the legislature. In 1822 a bounty of three cents per bushel was placed on coarse salt delivered on the Hudson or the lakes, the laborers in the salt work being also exempt from jury and military service. The duty was reduced to six cents in 1834, and to one cent in 1846, and has since remained the same. The state, in return for this duty, sinks wells, raises water, furnishes it to the manufacturer, and inspects and weighs the salt.

In 1859, on account of frequent troubles among the manufacturers, leases were issued to them for thirty years.

The salt springs were at one time true springs, but from the increased consumption of the brine, it has become necessary to sink wells.

Of late the industry has been much depressed, owing to competition with foreign salt, and with the Michigan salt.

NUMBER OF BUSHELS PRODUCED BETWEEN JUNE 20, 1797, AND 1886, 326,421,643.

In 1797 . . .	25,474 bush.	In 1847 . . .	3,951,355 bush.
" 1807 . . .	175,448 "	" 1858 . . .	7,033,391 "
" 1817 . . .	408,655 "	" 1862 (max.) .	9,053,874 "
" 1827 . . .	983,410 "	" 1872 . . .	7,930,925 "
" 1837 . . .	2,167,287 "	" 1886 . . .	6,101,757 "

Since 1862 there has been a decline, the average down to 1872 being about 8,000,000 bushels, and from 1872–1886, 7,200,000 bushels.

NET REVENUE DERIVED FROM MANUFACTURE OF SALT, AND PAID INTO THE GENERAL FUND SINCE DUTIES WERE REDUCED TO ONE CENT PER BUSHEL.

1846	$7,705 48	1867	$25,089 73
1847	9,717 63	1868	37,244 06
1848	21,491 46	1869	41,211 09
1849	20,153 69	1870	24,411 38
1850	15,104 87	1871	34,507 08
1851	13,337 55	1872	33,991 78
1852	19,284 61	1873	15,130 42
1853	29,557 19	1874	3,106 88
1854	23,711 57	1875	5,903 66
1855	10,867 46	1876	4,871 08
1856	9,690 79	1877	7,422 99
1857 (deficit, $6,603 01).		1878	14,803 43
1858	19,766 93	1879	23,221 62
1859	27,306 38	1880	1,313 20
1860	12,342 50	1881	20,045 52
1861	26,761 28	1882	21,204 30
1862	49,696 21	1883	4,056 03
1863	38,064 94	1884	3,452 55
1864	29,906 96	1885	5,349 59
1865	18,620 59	1886 (deficit, $7,011 79).	
1866	24,557 48		

The total net revenue derived from the manufacture from 1818 to 1886 (inclusive) = $4,296,664.50.[1]

[1] The facts presented concerning the salt springs of New York have been gathered from the reports of the Onondaga Salt Spring Commissioners.

III.

REVENUES AND EXPENDITURES OF CITIES.

I. BUDGETS OF BALTIMORE, BOSTON, CHICAGO, NEW YORK, PHILADELPHIA, AND ATLANTA.

Baltimore.

THE gross receipts into the treasury for the year ending December 31, 1887, were $8,446,439, and were chiefly from the following sources: —

Taxes	$4,210,112
Public schools, tuition fees, etc.	6,766
Market houses, rent of stalls	58,287
Wharfage and rent of wharves	33,561
General licenses	44,609
Auction duties	7,431
Dividends on stock in B. & O. R. R.	130,000
Water rents	745,446
Passenger railway companies	132,167
From the state for public schools	147,403
Temporary loan	1,510,000
Receipts to pay interest on loans	896,704
Sale of stock	243,285

The total disbursements were $8,403,930. Of this $4,541,357 was spent on account of expenses of city government, the following being the principal items of expense: —

Interest on the public debt	$915,987
Expenses of law courts	118,806

Expenses of jail magistrates, etc.	$103,587
Public schools (less amount paid by state)	594,089
Expenses of poor	210,739
Police department	702,882
Street cleaning department	263,934
Fire department	214,226
Street lighting	221,203
Parks, etc.	52,080
Salaries	72,624
City council	52,925

For expenses other than those of city government there was paid out $3,862,573; of which $896,704 was in payment of interest, $1,310,000 in payment of temporary loans, $283,647 for improvements, and $215,312 for the opening and paving of streets.

The assessed valuation of real estate for 1887 was $200,775,614; of personal estate, $64,784,338: total, $265,559,952. The rate of the city levy was $1.60 on the $100.

The funded debt of the city, December 31, 1887, was $35,377,176, the greater part of it drawing interest at 5 and 6 per cent. There was on the above date a guaranteed debt, *i.e.* indorsement of railroad mortgages, amounting to $992,000, making a total debt of $36,369,176. For the payment of the annual interest on $19,645,784 of this amount provision has been made, viz. interest received on water, park, and railroad loans, etc., and there remains but $16,723,392 upon which interest is paid by taxation.

The productive assets of the city, December 31, 1887, including the sinking fund of $6,039,241, amounted to $17,711,665, and the unproductive assets to $15,610,500.

Boston.

The following statistics are for the fiscal year ending April 30, 1887. For this period the total receipts for the city of Boston were $20,476,111, the expenditures $18,562,518.

The principal receipts were the following: —

Taxes	$8,885,881
Bank taxes	187,069
Bank taxes collected for state	600,004
Corporation taxes, share from state	648,225
Taxes on foreign ships, share from state	9,422
Water-works, rates, etc.	1,274,498
Liquor licenses, fees, etc.	977,247
From several departments, including income from trust funds	699,490
Interest on balances, taxes, etc.	116,894
Pedlers	775
Loans	3,833,800
Temporary loan	2,000,000
Sinking fund for payment of debt	615,109

The ordinary expenditures, including interest on the city debt, and exchange on the part of interest ($2,237,479), and street improvements charged to general appropriation, were $10,565,983. Of the remainder the principal sums paid out were: to the sinking fund, $625,005; state tax, $555,870; sewerage, $130,179; special street improvements, $610,564; parks, $243,745; additional water supply, $455,916; $2,000,000 in redemption of loan; $600,753, state's proportion of bank tax; and $149,979, state's proportion of liquor license tax.

The total assessed value of real property for 1886 was $517,503,275; of personal estate, $193,118,060: total valuation, $710,621,335. The rate of taxation was $12.70 per $1000.

The total funded debt of the city, April 30, 1887, was $45,966,963.

There was at the same date in the sinking fund, $19,946,811 for the redemption of the debt.

Chicago.

The total receipts of this city for the year ending December 31, 1887, were $13,863,300; the total expenditures, $13,220,220. The following are the principal receipts: —

Taxes	$5,166,156
Licenses	2,225,769
Special assessment, paving, etc.	2,664,534
From water fund, rents, etc.	1,642,682
From school fund, rents, dividends, tax	1,190,409
Rents	39,505
Fines, police courts	79,186
Fees	987

The principal objects of expenditure were: —

Public works department	$1,304,845
Fire department	826,048
Health department	279,788
Police department	1,305,562
Schools, buildings, repairs, etc.	2,703,315
Special assessments, paving, etc.	2,567,096
Street lighting	542,047
Sewerage	346,422
Salaries	127,326
On account of water fund	1,804,204

The cost of collection of taxes was $58,145, or a little over 1 per cent. of total taxes collected.

The total equalized valuation of real estate for 1887 was $123,169,455; the total assessed valuation of personal property was $38,034,980; total equalized valuation $161,205,535.

The total bonded debt of the city, January 1, 1888, was $12,588,500, the greater part drawing interest at 7 per cent.

New York.

The receipts from taxes during the year ending December 31, 1886, were $31,568,097.

The receipts into the treasury on account of the general fund were $1,966,225, chiefly as follows: —

Railroad franchises	$98,899
Fees from county clerk	142,878
Interest on taxes	609,128
Licenses, marshal	43,130
School moneys from state	589,311
Department of public works	51,734
Department of parks	17,022
Department of public charities	35,185

The receipts on special and trust accounts were $2,128,037. The following were the most important items: —

Excise licenses	$665,605
Special assessment, local improvement fund	453,911
Five per cent. net earnings of Greenwich St. Elevated Railway	20,526
Intestate estates	15,873
Theatrical licenses	22,300

Into the sinking fund for the redemption of the city debt there was $11,978,385. The principal items were the following: —

Market rents and fees	$292,199
Bonds and mortgages	95,787
Licenses	65,607
Dock and slip rent	1,231,826
Revenue from investments	1,731,112
Interest on deposits	77,547

Sale of real estate	$5,100
Special assessments	628,366
Railroad franchises	95,911
N. Y. & Brooklyn bridge (surplus)	50,500
Surplus revenues of interest fund	3,550,00
Investments paid off	3,250,950

And into the sinking fund for the payment of interest on the city debt there was received $2,976,648; the largest and principal item is water rent, $2,485,658; interest, fees. fines, etc., make up the remainder.

The total amount received for account of the city treasury (including loans of $22,607,213, and a few more items in addition to those mentioned above) was $58,354,851, and for account of sinking funds, $14,955,033, making the total receipts $73,309,884.

The payments on account of the city treasury were $57,979,620; on account of the sinking funds, $13,801,123; total payments, $71,780,743.

The purpose of payments of the sinking funds is evident; the principal expenses payable from taxation and the general funds were: for state taxes, $4,199,606; interest on debt, $7,245,205; redemption of debt, $857,218; department of public works, $2,410,251; public parks, $925,672; public charities, etc., $1,526,651; police department, $3,942,322; street cleaning, $1,103,371; fire department, $1,872,576; board of education, $3,994,116; asylums, etc., $1,148,834. On the special and trust accounts the largest payment was revenue bonds, $16,070,600.

The assessed valuation of real estate for 1886 was $1,203,941,065; of personal estate, $217,027,221; total, $1,420,968,286. The rate of taxation of real and personal property was 2.29 per cent.; of corporations subject to local tax, 1.9945 per cent.

The total funded debt of the city, December 31, 1886, was $125,982,736, of which bonds to the amount of $32,684,190 were held in the sinking fund.

The amount in the sinking fund on the above date, including the above city bonds, was $41,205,470.

Philadelphia.

The total receipts for the year ending December 31, 1887, were $17,584,256; the total disbursements, $17,633,304.

The chief sources of revenue were the following: —

Taxes (current)	$10,607,754
Taxes (delinquent)	729,152
Poll tax	30,086
Public building tax	793
State tax (after settlement)	12,579
Highways	56,458
Water	1,993,643
Fines and penalties	59,410
Licenses — pawnbrokers, etc.	9,030
State appropriation for schools	189,156
City property	102,672
Register of wills	102,568
Bureau of gas	2,749,189
Bureau of gas (interest account)	220,500
City solicitor	167,651

The expenditures are classified as follows: —

Interest on funded debt	$3,458,811
Sinking funds	630,100
Warrants of previous years	460,473
Erection of public buildings	505,435
Park fund	5,786
Mandamuses	356,525
Loan	254,825
Amount paid departments	11,961,349

Property is divided into three classes, according as it pays full, suburban, or farm rate; the rates being, for 1886, $1.85, $1.23⅛, and $0.92½ respectively. The amount of property paying full rate was $569,587,035; suburban rate, $40,203,885; and farm rate, $1,888,392: total, $628,679,312. Horses and cattle pay full rate; furniture and pleasure carriages full rate, in addition to the state tax; while carriages for hire, money at interest, and watches pay the state tax only.

The funded debt of the city, January 1, 1888, was $57,967,395, being $9,500,921 less than January 1, 1883.

The city's means of paying debt amount to $29,717,824; $1,125,000 consisting of stock in the Sunbury and Erie Railroad, the remainder of sinking fund securities. The net debt was thus $28,249,571.

Atlanta, Georgia.

Atlanta is taken as a typical Southern city, though its budget is a comparatively small one.

The following receipts are given for 1887: —

General tax	$522,109
Liquor licenses	775
Business licenses	48,191
Dray and hack licenses	5,927
Cemetery license	524
Paving and curbing	34,318
Water-works	38,257
Sale gas stock	95,643
Sale bonds	25,000
Recorders' court (fees)	15,854
Commission sales, etc.	5,306
Miscellaneous sources	5,571
Total receipts	$797,475

The tax collector's office shows the following assessments and collections: —

Real estate, returned	$24,532,777	1½	$367,992
Real estate, not returned	400,287	1½	6,004
Personalty	7,304,703	1½	109,571
Street tax			12,001
Sanitary assessment			14,683
Total			$510,251

It will be noticed that the liquor license tax is small. The year preceding the receipts from this source were $37,708. A high license has again been placed on the sale of liquor, and the city will receive a large revenue therefrom during the ensuing year.

The expenditures of the city for the year amounted to $785,152, the principal items being the following: —

Salaries	$24,015
Public buildings	5,647
Sewers, etc.	23,823
Paving and curbing	66,065
Streets (ordinary)	48,396
Public schools	72,129
Fire department	45,889
Paupers and relief	12,067
Street lighting	19,177
Police department	52,865
Sanitary department	24,802
Interest	156,357

The bonded debt of Atlanta, January 1, 1887, was $2,220,000.

2. COMPARATIVE TABLE

Showing Principal Receipts, Total Receipts, and Total Expenditures of Baltimore, Boston, Chicago, New York, Philadelphia, and Atlanta.

CITY.	TAXES.	GENERAL LICENSES.	LIQUOR LICENSES.	WATER RENTS.	INCOME FROM PRODUCTIVE PROPERTY, RENTS, DIVIDENDS, ETC.	LOANS.	OTHER SOURCES.	TOTAL RECEIPTS.	TOTAL EXPENDITURE.
Baltimore .	$4,210,112	$44,609	...	$745,446	[1] $221,850	$1,510,000	$1,714,422	$8,446,439	$8,403,930
Boston . .	8,885,881	...	$977,247	1,274,498	350,000	5,833,800	3,155,785	20,476,111	18,562,518
Chicago . .	5,166,156	2,225,769	...	1,642,682	400,000	...	4,428,693	13,863,300	13,220,220
New York	31,568,097	796,642	...	2,485,658	3,650,000	22,607,213	12,202,274	73,309,884	71,780,743
Philadelphia	11,360,785	9,030	...	1,993,643	3,000,000	...	1,220,798	17,584,256	17,633,304
Atlanta . .	522,109	54,642	775	38,257	95,650	25,000	60,042	797,475	785,152

[1] The sums given in this column are approximate.

It may be well to repeat again in this place what I have several times said in regard to the caution with which tables like the following should be used. The statistical table in regard to taxation in Baltimore gives a glaring instance of the faultiness of our ordinary financial statistics. The valuation in Baltimore increased in 1836 from $3,787,762 to $42,931,960. Of course this is due to a new assessment, and the decreased valuation in 1837 cannot be taken as an indication of a real depreciation of property. It is probably due to complaints on account of over-valuation. The reader will also notice that the fall of the rate of taxation to 66⅝ cents in 1836 from $4.77⅝ on the $100 of assessed valuation was accompanied by a real increase in taxation, because the decrease in the tax rate was not so considerable as the increase in valuation. This is an unusual case of difference between the real and the nominal rate of taxation, but it is necessary always to be careful in the use of tables concerning taxation. If proper care is exercised, they are useful despite their imperfections. I repeat these cautions in so many places, because tables in books are frequently consulted by those who have perused neither what follows nor what goes before.

3. Valuation and Taxes of Baltimore, Boston, Chicago, Cincinnati, New York, Philadelphia, and Providence.

Baltimore.

TABLE SHOWING RATES AND BASIS OF TAXATION, AMOUNTS COLLECTED, AND DISCOUNTS, FROM 1798 TO 1887.

Year.	Tax Rate in the Limits of Direct Taxation, per $100. *	Tax Rate out of Limits of Direct Taxation, per $100.	State Rate.	Assessment by which basis fixed.	Basis throughout entire city.	Basis within Limits of Direct Taxation.	Collected within the year upon the Levy for that year.	Discount.
1798	.....	.....	..	A. A. 1797	£699,569 9s 2d	.....	.....	.....
1808	.....	.....	..	A. A. 1807	$2,522,870 00	.....	.....	.....
1830	$4 37½	$1 72½	..	A. A. 1822	3,424,240 00	$3,090,848 00	.....	.....
1831	3 75	1 72½	..	" "	3,469,493 00	3,131,761 00	$68,999 30	.....
1832	4 92½	1 27½	..	" "	3,564,904 00	3,341,664 00	95,524 69	.....
1833	4 35½	1 85½	..	" "	3,641,626 00	3,412,381 00	82,083 41	.....
1834	4 70⅓	2 20	..	" "	3,733,194 00	3,498,992 00	79,312 64	.....
1835	4 77⅔	1 94½	..	" "	3,787,762 00	3,546,517 00	101,509 62	.....
1836	66⅔	20⅞	..	Or. of 1834, No. 32	42,931,960 00	40,294,565 00	152,114 89	.....
1837	66⅔	20⅞	..	" "	41,544,052 00	38,915,411 00	146,952 80	.....
1838	67⅓	22	..	" "	41,104,860 00	38,476,589 00	139,854 40	.....
1839	58⅔	26½	..	Ordinance of 1836	55,793,370 00	52,603,354 00	91,993 98	.....
1840	78¾	46⅓	..	" "	55,641,010 00	52,404,595 00	100,633 55	.....
1841	85	55	20	" "	54,584,845 00	51,330,097 00	.....	.....
1842	81¼	77¼	25	A. A. 1841, ch. 23	63,619,093 00	60,307,322 00	295,414 98	$13,922 19
1843	77	61	25	" "	60,103,537 00	56,792,025 00	275,882 49	12,788 38
1844	70½	47½	25	" "	61,494,632 00	55,087,546 00	254,394 87	10,413 67

1845	69		49	25	A. A. 1841, ch. 23	60,113,492 00	54,644,864 00	245,423 46	10,763 44
1846	70		48	25	" "	64,832,151 00	60,798,856 00	258,993 82	11,052 40
1847	69¾		46¼	25	Or. 1846, No. 71	74,921,145 00	70,662,530 00	327,715 53	13,808 31
1848	1 00		80	25	" "	76,509,611 00	72,100,742 00	430,062 34	22,331 66
1849	93		65	25	" "	78,252,588 00	73,609,596 00	415,357 30	21,706 12
1850	82		70¾	25	" "	80,166,992 00	76,455,011 00	380,240 70	15,898 96
1851	65		24	25	" "	81,418,924 00	77,500,570 00	270,503 93	10,854 12
1852	90		44½	25	" "	84,804,454 00	80,718,019 00	392,038 53	15,896 88
1853	77		31½	15	A. A. 1852, ch. 337	98,831,487 00	92,855,917 00	388,039 10	14,794 21
1854	1 03		49¼	15	" "	102,424,915 00	96,199,838 00	487,714 96	19,362 56
1855	1 18¼		40	15	" "	.....	.....	634,030 22	28,049 80
1856	91		51	10	" "	108,284,323 00	101,480,493 00	504,476 29	24,085 26
1857	1 00		79	10	" "	108,021,516 00	191,110,881 00	578,769 14	21,724 27
1858	1 15		54½	10	" "	107,716,423 00	.....	752,847 69	24,917 85
1859	90		70	10	A. A. 1858.	135,499,873 00	.....	692,652 59	21,727 73
1860	1 00	Real	80	10	" "	138,505,765 00	.....	750,206 02	24,469 27
		Pers'al	50						
1861	1 09	R.	82	10	" "	138,199,960 00	.....	847,044 87	26,910 14
		P.	67						
1862	92	R.	73¼	25	" "	134,532,804 00	.....	803,014 65	33,423 51
		P.	58½						
1863	92	R.	64½	25	" "	135,091,035 00	.....	847,787 17	38,413 10
		P.	64½						
1864	1 00	R.	86	15	" "	139,417,797 00	.....	1,023,831 99	49,567 12
		P.	61						
1865	1 25	R.	1 15	30	" "	143,340,022 00	.....	1,320,326 76	62,170 17
		P.	80						
1866	1 25	R.	1 05	30	" "	144,926,217 00	.....	1,318,496 57	55,839 74
		P.	80						

VALUATION AND TAXES. — *Continued.*

Year.	Tax Rate in the Limits of Direct Taxation, per $100. *	Tax Rate out of Limits of Direct Taxation, per $100.	State Rate.	Assessment by which basis fixed.	Basis throughout entire city.	Basis within Limits of Direct Taxation.	Collected within the year upon the Levy for that year.	Discount.
1867	$1 40	R. $1 05 P. 90	20	A A. 1858.	$147,078,105 00	.....	$1,457,864 78	$64,008 65
1868	1 20	R. 1 20 P. 86	19	A. A. 1866.	206,136,248 00	.....	1,648,609 92	57,942 77
1869	1 60	R. 1 53 P. 1 03	19	" "	203,739,804 00	.....	.....	.....
1870	1 50	R. 1 30 P. 96	19¼	" "	202,756,140 00	.....	2,103,867 65	90,661 97
1871	1 50	R. 1 25 P. 1 00	19¼	" "	210,310,965 00	.....	1,746,053 43	88,803 84
1872	1 63	R. 1 35 P. 85	17	" "	217,162,970 00	.....	1,851,690 03	96,233 06
1873	1 63	R. 1 36 P. 86	17	" "	222,498,305 00	.....	1,743,035 30	91,951 61
1874	1 80	R. 1 61 P. 1 11	20 5/8	" "	228,571,316 00	.....	2,030,024 24	108,181 94
1875	1 80	Limits of direct taxation cease.	20 5/8	" "	231,365,863 00	.....	2,192,209 54	117,384 61
1876	1 80	.....	17¼	" "	228,816,110 00	.....R. P.	1,228,534 70 899,554 63	55,575 82 59,471 51
							2,128,089 33	115,047 33

1877	1 75	.....	17½	A. A. 1876.	R.178,572,032 00	.....R.	1,783,083 82	117,687 96
					P. 77,533,309 00	P.	858,147 90	75,156 12
					256,105,341 00		2,641,231 72	192,844 08
1878	1 90	.....	18¾	" "	R.178,958,592 00	.....R.	1,920,024 34	62,379 40
					P. 70,308,003 00	P.	848,967 89	56,302 84
					249,266,595 00		2,768,992 23	118,682 24
1879	1 50	.....	18¾	.....	R.183,580,023 00	.....R.	1,713,548 99	69,518 36
					P. 60,463,158 00	P.	566,400 78	52,467 10
					244,043,181 00		2,279,949 77	121,983 46
1880	1 37	.....	18¾	.....	R.183,051,396 00	.....R.	1,675,077 67	66,059 93
					P. 58,929,242 00	P.	562,796 81	23,648 76
					241,980,638 00		2,237,874 48	89,708 69
1881	1 37	.....	18¾	A. A. 1876.	R.185,197,157 00	.....R.	1,790,098 67	74,727 49
					P. 62,033,032 00	P.	626,906 62	41,419 70
					247,230,189 00		2,417,005 29	116,147 19
1882	1 37	.....	18¾	" "	R.187,636,451 00	.....R.	1,764,402 09	38,080 82
					P. 58,597,605 00	P.	617,999 07	39,682 05
					246,234,056 00		2,382,401 16	77,762 87
1883	1 50	.....	18¾	" "	R.189,913,494 00	.....R.	1,936,290 99	42,677 78
					P. 58,889,738 00	P.	644,115 08	42,937 79
					248,803,232 00		2,580,406 07	84,615 57

VALUATION AND TAXES. — *Continued.*

Year.	Tax Rate in the Limits of Direct Taxation, per $100.[1]	Tax Rate out of Limits of Direct Taxation, per $100.	State Rate.	Assessment by which basis fixed.	Basis throughout entire city.	Basis within Limits of Direct Taxation.	Collected within the year upon the Levy for that year.	Discount.
1884	$1 60	.....	1 3/4	A. A. 1876.	R. 191,516,113 00	.....R.	$2,073,933 75	$44,880 17
					P. 58,135,586 00	P.	700,140 09	46,087 02
					249,651,699 00		2,774,073 84	90,967 19
1885	1 60	.....	1 3/4	.....	R. 194,416,894 00	.....	.....	.....
					P. 59,496,377 00			
					253,913,271 00			
1886	1 70	.....	1 3/4	.....	R. 197,730,574 00	.....	.....	.....
					P. 58,510,081 00			
					256,240,655 00			
1887	1 60	.....	1 3/4	.....	R. 200,775,614 00	.....	.....	.....
					P. 64,784,338 00			
					265,559,952 00			

[1] Formerly the tax levied for municipal expenses, called the "Direct Tax," was only imposed on property within certain limits, known as the "Limits of Direct Taxation," which were established by authority of the General Assembly. Property within the city, but outside the limits of direct taxation, was subject to all city taxes except the "Direct Tax," and also to a tax for highways and bridges, which was imposed outside the limits of direct taxation.

Assessments were also made under Acts of 1781, 1782, 1792, 1812, and 1817. Little is now known of their results.

Boston.[1]

Population by census of 1860, 177,840. Population by United States census of 1870, including municipalities annexed, 250,256. Population by state census of 1875, 341,919. United States census of 1880, 362,839. State census of 1885, 390,393.

YEAR.[2]	REAL ESTATE.	PERSONAL ESTATE.	TOTAL VALUATION.[1]	RATE TAX PER $1000.
1867[3] .	$250,587,700	$194,358,400	$444,946,100	$15.50
1868 .	287,635,800	205,937,900	493,573,700	12.30
1869[4] .	332,051,900	217,459,700	549,511,600	13.70
1870 .	365,593,100	218,496,300	584,089,400	15.30
1871 .	395,214,950	217,448,600	612,663,550	13.10
1872 .	443,283,450	239,440,850	682,724,300	11.70
1873[5] .	470,086,200	223,745,200	693,831,400	12.80
1874 .	554,200,150	244,554,900	798,755,050	15.60
1875 .	558,941,000	235,020,895	793,961,895	13.70
1876 .	526,157,900	222,838,310	748,996,210	12.70
1877 .	481,407,200	205,433,386	686,840,586	13.10
1878 .	440,375,900	190,070,966	630,446,866	12.80
1879 .	428,777,000	184,545,692	613,322,692	12.50
1880 .	437,370,100	202,092,395	639,462,495	15.20
1881 .	455,388,600	210,165,997	665,554,597	13.90
1882[6] .	467,704,150	204,793,812	672,497,962	15.10
1883 .	478,318,900	204,113,771	682,432,671	14.50
1884 .	488,130,600	194,526,058	682,656,658	17.00
1885 .	495,973,400	189,605,672	685,579,072	12.80
1886 .	517,503,275	193,118,060	710,621,335	12.70

[1] The following tables concerning Boston are taken from Auditor's Report for Boston, 1886–87, pp. 265–267: —

[2] Included in the total valuation of 1865, and all subsequent years, was an assessment upon corporations chartered by the Commonwealth of Massachusetts, for real estate and machinery. The last item is taxed

AMOUNT AND RATE OF TAXATION.

YEAR.	STATE TAX.	CITY AND COUNTY TAX.	TOTAL TAX.	RATE PER $1,000.	
				STATE.	CITY AND COUNTY.
1867	$1,694,150	$4,962,261	$6,656,411	3.94	11.56
1868	723,140	5,161,689	5,884,829	1.51	10.79
1869	903,925	6,375,399	7,279,324	1.71	11.99
1870	933,775	7,703,087	8,636,862	1.65	13.65
1871	933,775	6,856,669	7,790,444	1.57	11.53
1872	736,480	7,023,362	7,759,842	1.11	10.59
1873	828,540	7,809,552	8,638,092	1.23	11.57
1874	802,120	11,243,782	12,045,902	1.04	14.56
1875	802,120	9,721,016	10,523,136	1.04	12.66
1876	742,932	8,527,872	9,270,804	1.02	11.68
1877	619,110	8,135,104	8,754,214	0.93	12.70
1878	412,740	7,466,410	7,879,150	0.67	12.13

as personal, and is the only personal estate taxable by local assessors to a Massachusetts corporation.

[3] City of Roxbury united with Boston, with valuation of real, $18,265,400; personal, $8,286,300: total, $26,551,700.

[4] Town of Dorchester, with valuation of $12,826,200 real, and $7,489,500 personal: total, $20,315,700.

[5] City of Charlestown, and Towns of West Roxbury and Brighton: —

	Real.	*Personal.*	*Total.*
Charlestown . . .	$26,016,100	$9,273,582	$35,289,682
W. Roxbury . . .	16,254,350	5,894,250	22,148,600
Brighton	11,964,450	2,584,081	14,548,531

[6] In consequence of Act 1881, exempting money loaned on mortgages of real estate, the personal valuation receded, notwithstanding large gains were made upon the other items of personal estate.

YEAR.	STATE TAX.	COUNTY TAX.	CITY TAX.	TOTAL TAX.	RATE PER $1,000.		
					STATE.	COUNTY.	CITY.
1879	$206,370	$369,200	$6,916,940	$7,492,510	$0.20	$0.46	$11.84
1880	619,110	260,000	8,587,786	9,466,896	0.86	0.27	14.07
1881	619,110	260,000	8,173,282	9,052,392	0.81	0.25	12.84
1882	825,480	291,200	8,798,073	9,914,753	1.12	0.29	13.69
1883	578,055	291,200	8,778,556	9,647,811	0.72	0.28	13.59
1884	770,740	301,600	10,216,029	11,288,369	1.00	0.29	15.71
1885	578,055	301,600	7,814,092	8,693,747	0.71	0.27	11.82
1886	555,870	386,568	7,897,240	8,839,678	0.65	0.40	11.65

Chicago.[1]

YEAR.	POPULATION.	VALUATION REAL ESTATE.	VALUATION PERSONAL PROPERTY.	TOTAL VALUATION.	INCREASE.	TOTAL TAX.	FLOATING LIABILITIES.
1837	4,170	$236,842	...	$236,842	...	$5,905 15	...
1838	...	235,996	...	235,996	...	8,849 86	$9,996 54
1839	...	94,803	..	94,803	...	4,664 55	7,182 25
1840	4,479	94,437	...	94,437	...	4,721 85	6,559 63
1841	...	127,024	39,720	166,747	...	10,004 67	12,387 67
1842	...	108,757	42,585	151,342	...	9,181 27	16,372 01
1843	7,580	962,221	479,093	1,441,314	...	8,647 89	12,655 40
1844	...	1,992,095	771,186	2,763,281	$1,321,967	17,166 24	9,795 35
1845	12,088	2,273,171	791,851	3,065,022	301,741	11,077 58	10,691 27
1846	14,169	3,664,425	857,231	4,521,656	1,456,634	15,825 80	16,045 41
1847	16,859	4,995,466	853,704	5,849,170	1,327,514	18,159 01	13,179 89
1848	20,023	4,998,266	1,302,174	6,300,440	451,270	22,051 54	20,338 38
1849	23,047	5,181,637	1,495,047	6,676,684	376,244	30,045 09	36,333 20

[1] From City Comptroller's Report for 1850.

YEAR.	POPULATION.	TOTAL VALUATION.	INCREASE.	TOTAL TAX.	BONDED INDEBTEDNESS.
1850	28,269	$7,220,249	$543,365	$25,270 87	$93,395
1851	...	8,562,717	1,342,468	63,385 87	...
1852	48,000	10,463,414	1,900,697	76,948 96	126,035
1853	60,652	16,841,831	6,378,417	135,662 68	189,670
1854	75,000	24,392,239	7,550,408	499,081 64	248,666
1855	80,000	29,992,893	2,600,654	206,209 03	328,000
1856	84,113	31,736,084	4,743,191	396,652 39	435,000
1857	...	36,335,281	4,599,197	572,046 00	535,000
1858	...	35,991,732	...	430,190 00	...
1859	...	36,553,380	561,648	543,614 00	1,855,000
1860	109,206	37,053,512	500,132	573,315 29	2,336,000
1861	...	36,352,380	...	550,968 00	2,362,000
1862	138,186	37,139,845	787,465	564,038 06	3,028,000
1863	...	42,667,324	5,527,479	853,346 00	3,422,500
1864	169,353	48,732,782	6,065,458	974,665 64	3,544,500
1865	178,492	64,709,177	15,976,395	1,294,183 50	3,701,000
1866	200,418	85,953,250	21,244,073	1,719,064 05	4,369,500
1867	...	195,026,844	109,073,594	2,518,472 00	4,757,500
1868	252,054	230,247,000	35,220,156	3,223,457 80	6,484,500
1869	...	266,024,880	35,777,880	3,990,373 20	7,882,500
1870	306,605	275,986,550	9,961,670	4,139,798 70	11,041,000
1871	...	289,746,470	13,759,920	2,897,464 70	14,103,000
1872	367,396	284,197,430	...	4,262,961 45	13,544,000
1873	...	312,072,995	27,875,565	5,617,313 91	13,478,000
1874	395,408	303,705,140	...	5,466,692 54	13,456,000
1875	...	*173,764,246	...	5,108,981 40	13,457,000
1876	407,661	*168,037,178	...	4,046,805 80	13,436,000
1877	...	*148,400,148	...	4,013,410 44	13,364,000
1878	436,731	*131,981,436	...	3,778,856 80	13,057,000
1879	...	*117,970,135	...	3,776,888 19	13,043,000
1880	503,298	*117,133,643	...	3,899,126 98	12,752,000
1881	...	*119,151,951	...	4,136,608 38	12,752,000
1882	560,693	*125,358,537	...	4,227,402 98	12,752,000
1883	..	*133,230,504	...	4,540,506 13	12,751,500
1884	629,985	*137,326,980	...	4,872,456 60	12,751,500
1885	...	*139,958,292	...	5,152,366 03	12,695,500
1886	693,861	*158,496,132	...	5,368,409 76	12,588,500
1887	...	*161,204,535	...	5,602,712 56	12,588,500

* Equalized Valuations of State Board of Equalization.

Cincinnati.[1]

Population by census of 1860, 161,044; by census of 1870, 218,900; by census of 1880, 255,208.

YEAR.	REAL ESTATE.	PERSONAL ESTATE.	TOTAL VALUATION.	RATE OF TAX PER $1,000.
1867 . .	$68,569,040	$68,412,285	$136,981,325	$27.40
1868 . .	69,799,604	61,583,925	131,383,529	28.00
1869 . .	72,243,844	58,471,666	130,715,510	31.90
1870 . .	78,736,482	57,370,754	136,107,236	31.60
1871 . .	123,427,888	59,934,044	180,361,932	22.20
1872 . .	119,621,856	55,462,410	175,084,266	20.10
1873 . .	121,479,280	64,166,460	185,645,740	23.06
1874 . .	123,231,790	58,718,284	181,950,074	23.38
1875 . .	125,976,835	58,521,730	184,498,565	24.82
1876 . .	127,143,900	56,809,066	183,952,966	27.04
1877 . .	128,820,270	50,609,872	179,430,142	29.10
1878 . .	129,043,880	43,830,188	172,874,068	28.54
1879 . .	128,473,130	40,832,505	169,305,635	28.98
1880 . .	129,956,980	37,578,376	167,535,356	31.00
1881 . .	120,045,230	41,359,162	161,404,393	22.20
1882 . .	121,897,090	45,089,015	166,986,105	23.82
1883 . .	122,874,790	47,050,496	169,925,286	20.50
1884 . .	124,625,370	44,908,822	169,534,192	25.56
1885 . .	127,454,100	42,632,868	170,086,968	26.86
1886 . .	129,378,370	42,571,661	171,950,031	25.44

[1] Tables concerning Cincinnati taken from Auditor's Report, Boston, 1886-87.

YEAR.	RATE OF TAX.				TAXES LEVIED.				
	City.	County.	State.	Total.	City.	County	State	Delinquents and Forfeitures.	Total Levy
1867 . .	$21.10	$2.80	$3.50	$27.40	$2,890,303	$383,547	$479,435	$33,398	$3,786,686
1868 . .	21.80	2.70	3.50	28.00	2,864,161	354,736	459,842	44,317	3,723,056
1869 . .	24.10	4.30	3.50	31.90	3,150,244	562,076	457,504	29,589	4,199,413
1870 . .	23.95	3.65	4.00	31.60	3,259,768	496,791	544,429	61,209	4,362,197
1871 . .	16.85	2.45	2.90	22 20	3,039,098	441,887	523,050	57,924	4,061,959
1872 . .	15.10	2.10	2 90	20.10	2,643,772	367,677	507,744	70,691	3,589,884
1873 . .	18.15	1.41	3.50	23.06	2,682,580	261,761	649,760	67,634	3,661,735
1874 . .	19.20	0.98	3.20	23.38	2,911,201	178,311	582,240	92,270	3,764,022
1875 . .	19.20	2.52	3.10	24.82	3,542,372	464,936	571,946	90,932	4,670,186
1876 . .	21.93	2.21	2.90	27.04	4,036,617	406,537	533,464	137,121	5,113,730
1877 . .	24.20	2.00	2.90	29.10	4,371,330	358,860	520,565	169,076	5,419,831
1878 . .	23.41	2.23	2 90	28.54	4,046,982	385,509	501,335	168,814	5,102,640
1879 . .	23.92	2.16	2.90	28.98	4,049,790	365,700	490,000	87,632	4,993,122
1880 . .	25 20	2.90	2.90	31.00	4,221,892	485,852	485,852	95,578	5,289,174
1881 . .	17.14	1.16	2.90	22.20	2,766,471	348,633	468,073	106,106	3,689,283
1882 . .	18.96	1.96	2.90	23.82	3,166,056	327,293	484,259	82,469	4,060,077
1883 . .	16.00	1.60	2.90	20.50	2,718,804	271,380	492,783	38,823	3,521,790
1884 . .	20.22	2.54	2.80	25.56	3,427,981	430,614	474,696	46,770	4,380,061
1885 . .	20.64	3.34	2 90	26.86	3,510,595	564,689	493,252	47,917	4,616,453
1886 . .	19 14	3 40	2.90	25.44	3,291,123	584,630	498,655	53,000	4,427,408

New York.

The City's Taxes and Expenses, Past and Present.[1]

The great advance in the assessed valuation of property in New York City since *The Record and Guide* first saw the light is a matter of local history. It is interesting, however, to glance at the figures for the past twenty years and to institute comparisons. The assessed valuation since 1868 shows an increase of $699,825,134, equal to 77 per cent. The tax levy during the same period has increased about 34 per cent., and the city's running expenses over 32 per cent. It would seem, therefore, that these have not kept pace with the increase in population, but that they have decreased as the inhabitants became more numerous. The population in the summer of 1868 was about 875,000, and at the same time of the year in 1887 it may be estimated to have been about 1,575,000, showing an increase of 700,000, or 80 per cent. Had the expenditure increased in the same proportion, the city's expenses would have been $48,000,000, instead of about $34,000,000. Again, in 1868 the appropriation for the administration of the city government was $29.59 per head, while in 1887 it was $22.71. The tax levy during the same period has increased 34 per cent., or 46 per cent. less than the advance in population. A curious matter of note is that although the population and real estate of the city have increased so largely during the two decades, the assessed valuation of property per capita in 1868 was $1037.53, while in 1887 it was but $957.23. This is due, of course, to the population increasing in a slightly greater ratio than the value of the property, though it will be observed that there is only a difference of $80 per

[1] From *The Record and Guide*, of New York, March 24, 1888.

capita, showing that the value of property has advanced in about the same proportion as the increase in population. The following are the figures: —

YEARS.	TOTAL APPROPRIATIONS.	TAX RATE.	TOTAL VALUATION.	TOTAL TAX LEVY.
1868 . .	$25,895,659 02	2.66	$907,815,529	$24,147,893 02
1869 . .	23,689,536 34	2.27	965,326,614	21,912,914 00
1870 . .	23,072,556 47	2.25	1,047,388,449	23,566,240 10
1871 . .	23,362,527 62	2.17	1,076,253,633	23,362,527 62
1872 . .	34,036,290 51	2.90	1,104,074,537	32,036,290 51
1873 . .	30,154,187 77	2.50	1,129,139,623	28,228,490 57
1874 . .	34,872,391 79	2.80	1,154,029,176	32,312,816 92
1875 . .	36,171,472 23	2.94	1,100,943,699	32,367,744 75
1876 . .	34,934,801 26	2.80	1,111,054,343	31,109,521 60
1877 . .	30,984,269 48	2.65	1,101,092,093	29,178,940 46
1878 . .	30,079,077 12	2.55	1,098,387,775	28,008,888 26
1879 . .	30,247,750 20	2.58	1,094,069,335	28,226,988 84
1880 . .	29,667,991 98	2.53	1,143,765,727	28,937,272 90
1881 . .	31,759,205 14	2.62	1,185,948,099	31,071,840 19
1882 . .	29,434,031 36	2.25	1,233,476,398	27,684,427 26
1883 . .	30,676,785 79	2.29	1,276,677,164	29,167,029 81
1884 . .	34,067,585 51	2.25	1,338,298,343	29,991,172 85
1885 . .	34,678,405 41	2.40	1,371,117,003	32,853,528 84
1886 . .	33,802,320 59	2.29	1,420,968,286	32,421,550 15
1887 . .	34,343,022 55	2.16	1,507,640,663	32,370,696 78

Philadelphia.[1]

Population by census of 1860, 565,529; by census of 1870, 674,022; by census of 1880, 846,980.

YEAR.	REAL ESTATE.[2]	PERSONAL ESTATE.	TOTAL VALUATION.	RATE TAX PER $1,000.
1868	$445,563,317	$7,954,169	$453,517,486	$14 00
1869	454,196,370	7,862,257	462,058,627	18 00
1870	471,600,265	8,176,378	479,776,643	18 00
1871	491,844,096	8,592,786	500,436,882	18 00
1872	502,415,863	8,608,819	511,024,682	20 80
1873	518,234,568	8,930,700	527,165,268	21 50
1874	539,003,602	9,239,933	548,243,535	22 00
1875	565,819,095	9,464,873	575,283,968	21 50
1876	585,408,705	10,004,673	595,413,378	21 50
1877	593,313,532	9,755,000	603,068,532	22 50
1878	577,548,328	9,439,769	586,988,097	21 50
1879	526,539,972	8,069,892	534,609,864	20 50
1880	529,169,382	7,498,452	536,667,834	22 00
1881	535,805,744	7,863,385	543,669,129	19 50
1882	545,608,579	8,166,650	553,775,229	19 00
1883	562,687,555	8,795,700	571,483,255	18 50
1884	573,728,105	9,884,578	583,612,683	18 50
1885	587,749,828	10,035,600	597,785,428	18 50
1886	601,001,971	10,307,644	611,309,615	18 50
1887	618,059,987	10,619,325	628,679,312	18 50

[1] From Boston Auditor's Report, 1886–87.

[2] In 1868 real estate, which had previously been assessed at a nominal valuation, was placed at the full market value, and assessments have since been made upon that basis.

Providence.[1]

Population by census of 1860, 50,666; census of 1865, 54,595; census of 1870, 68,904; census of 1875, 100,675; census of 1880, 104,850; census of 1885, 118,070.

YEAR.	REAL ESTATE.	PERSONAL ESTATE.	TOTAL VALUATION.	TOTAL TAX.	RATE OF TAX PER $1,000.
1867	$45,027,200	$40,017,200	$85,044,400	$918,480	$10 80
1868[2]	49,107,900	43,618,100	92,726,000	1,112,712	12 00
1869	50,909,800	42,179,100	93,088,900	1,135,685	12 20
1870	52,511,800	40,565,100	93,076,900	1,256,538	13 50
1871	64,995,800	39,565,700	104,561,500	1,411,580	13 50
1872	69,926,400	40,160,700	110,087,100	1,486,176	13 50
1873	71,037,500	41,443,900	112,481,400	1,518,499	13 50
1874[3]	81,040,300	42,642,500	123,682,800	1,793,401	14 50
1875	82,862,900	39,091,800	121,954,700	1,768,343	14 50
1876	84,981,000	36,084,200	121,065,200	1,755,445	14 50
1877	85,789,800	32,085,000	117,874,800	1,709,185	14 50
1878	86,341,100	30,699,400	117,040,500	1,697,087	14 50
1879	86,816,100	28,765,600	115,581,700	1,618,144	14 00
1880	88,012,100	27,908,900	115,921,000	1,564,933	13 50
1881	87,788,000	28,413,800	116,201,800	1,626,825	14 00
1882	88,987,900	30,208,300	119,196,200	1,728,345	14 50
1883	90,143,400	31,722,000	121,865,400	1,767,048	14 50
1884	91,642,100	30,854,400	122,496,500	1,776,199	14 50
1885	92,857,400	31,314,600	124,202,000	1,800,929	14 50
1886	97,975,900	32,281,500	130,257,400	1,823,604	14 00

[1] From Boston Auditor's Report, 1886–87.
[2] Ninth ward annexed.
[3] Tenth ward annexed.

IV.

RATES OF TAXATION.[1]

I. TABLE SHOWING RATE OF TAXATION IN CENTS PER $100, IN THE VARIOUS STATES FOR 1887.[2]

Alabama	55	Mississippi	35
Arkansas	40	Missouri	40
California	56	Nebraska	81¼
Colorado	55	Nevada	90
Connecticut	12½	New Hampshire	19
Delaware[3]	—	New Jersey	25 9/10
Florida	40	New York	27
Georgia	35	North Carolina	37½
Illinois	35	Ohio	29
Indiana	12	Oregon	31
Iowa	25	Pennsylvania	30
Kansas	41	Rhode Island	12
Kentucky	47½	South Carolina	42½
Louisiana	60	Tennessee	30
Maine	27½	Texas	37½
Maryland	17¾	Vermont	10
Massachusetts	8½	Virginia	40
Michigan	12¾	West Virginia	35
Minnesota	13	Wisconsin	15¾

[1] The reader should not attribute too much significance to these rates. A rate of 18 cents on the $100 in one state may be really a higher rate of taxation than a rate of 25 cents in another state. It depends upon the way property is valued. I have no doubt that our Baltimore rate of taxation for state and city of $2.07½ is higher than $2.18 in New York City, because the Baltimore assessed valuation is so much nearer the true valuation.

[2] The rate, as found in the latest report received, has been given, in most instances for 1887. If the above are not consistent with the preceding detailed statements, it is because later reports have been found regarding this point.

[3] There is no state tax on property.

2. SCHEDULE SHOWING THE RATE OF STATE TAX ON EACH DOLLAR OF THE AGGREGATE VALUATIONS OF PROPERTY FROM 1816 TO 1887, INCLUSIVE, IN THE STATE OF NEW YORK.[1]

	MILLS		MILLS		MILLS
1816	2	1850	$\frac{1}{2}$	1869	$5\frac{5}{8}$
1817	2	1851	$\frac{1}{2}$	1870	$7\frac{41}{136}$
1818	3	1852	$\frac{1}{4}$	1871	$5\frac{79}{120}$
1819	1	1853	1	1872	$9\frac{8}{8}$
1820	1	1854	$\frac{3}{4}$	1873	$6\frac{95}{100}$
1821	1	1855	$1\frac{1}{4}$	1874	$7\frac{1}{4}$
1822	1	1856	$1\frac{3}{4}$	1875	6
1823	1	1857	3	1876	$3\frac{11}{24}$
1824	1	1858	$2\frac{1}{2}$	1877	$3\frac{1}{8}$
1825	$\frac{1}{2}$	1859	$2\frac{1}{2}$	1878	$2\frac{9}{10}$
1826	$\frac{1}{2}$	1860	$3\frac{5}{8}$	1879	$2\frac{868}{1000}$
1842	1	1861	$3\frac{7}{8}$	1880	$3\frac{1}{2}$
1843	1	1862	$4\frac{3}{4}$	1881	$2\frac{1}{4}$
1844	$1\frac{1}{10}$	1863	5	1882	$2\frac{45}{100}$
1845	$\frac{6}{10}$	1864	$5\frac{1}{4}$	1883	$3\frac{1}{4}$
1846	$\frac{6}{10}$	1865	$4\frac{53}{80}$	1884	$2\frac{3}{40}$
1847	$\frac{1}{2}$	1866	$5\frac{9}{16}$	1885	$2\frac{96}{100}$
1848	$\frac{1}{2}$	1867	$7\frac{3}{5}$	1886	$2\frac{95}{100}$
1849	$\frac{1}{2}$	1868	$5\frac{4}{5}$	1887	$2\frac{7}{10}$

[1] From Comptroller's Report for 1887.

V.

VALUATIONS OF REAL AND PERSONAL PROPERTY.

I. TABLE

Showing the proportions which real and personal property bear to the total assessed valuation in the United States and in each of the geographical sections.[1]

	REAL ESTATE.	PERSONAL PROPERTY.	AGGREGATE.
United States . .	77.13	22.87	100
New England States	71.50	28.50	100
Middle States . .	86.60	13.40	100
Southern States . .	70.77	29.23	100
Western States . .	74.09	25.91	100
Territories . . .	46.81	53.19	100

[1] Census Report for 1880. Volume VII., page 17.

2. TABLE

Showing assessed valuation of real estate and personal property in the years 1860, 1870, 1880, together with percentage of increase and decrease.[1]

YEAR.	ASSESSED VALUATION OF REAL ESTATE.	ASSESSED VALUATION OF PERSONAL PROPERTY.	GAIN IN REAL ESTATE IN TEN YEARS.	LOSS IN PERSONAL PROPERTY IN TEN YEARS.	GAIN IN REAL ESTATE IN TWENTY YEARS.	LOSS IN PERSONAL PROPERTY IN TWENTY YEARS.
			per cent.	per cent.	per cent.	
1860	$6,973,006,049	$5,111,553,956	...	..	...	..
1870	9,914,780,825	4,264,205,907	42	16	...	...
1880	13,036,766,925	3,866,226,618	31	9	87	24

[1] Taken from the Census Report for 1880. Volume VII., page 9.

3. TABLE

Showing the valuation of property, real and personal, in 1880 and 1887.[1]

STATE.	REAL ESTATE. 1880.	PERSONAL PROPERTY. 1880.	AGGREGATE. 1880.	REAL ESTATE. 1887.	PERSONAL PROPERTY. 1887.	AGGREGATE.[2] 1887.
Alabama	$77,374,008	$45,493,220	$122,867,228	$102,037,631	$48,194,432	$150,232,063
Arkansas	55,760,388	30,648,976	86,409,364	78,444,227	48,382,167	126,826,394
California	466,273,585	118,304,451	584,578,036	664,509,568	151,937,132	816,446,700
Colorado	35,604,197	38,867,496	74,471,693	...	...	124,269,710
Connecticut	228,791,267	98,386,118	327,177,385	...	...	349,977,339
Delaware	50,302,739	9,648,904	59,951,643	...	...	([3])
Florida	18,885,151	12,053,158	30,938,309	...	...	76,611,409
Georgia	139,983,941	99,488,658	239,472,599	182,366,292	124,141,286	306,507,578
Illinois	575,441,053	211,175,341	786,616,394	...	...	730,591,398
Indiana	538,683,239	189,131,892	727,815,131	566,521,981	227,004,098	793,526,079
Iowa	297,254,342	101,416,909	398,671,251	349,213,676	101,655,098	450,868,774
Kansas	108,432,049	52,459,640	160,891,689	189,635,772	55,491,779	245,127,551
Kentucky	265,085,908	85,478,063	350,563,971	351,157,053	132,334,637	483,491,690
Louisiana	122,362,297	37,800,142	160,162,439	149,145,874	63,579,590	212,725,464
Maine	173,856,242	62,122,474	235,978,716	148,489,142	60,220,239	208,709,381
Maryland	368,442,913	128,864,762	497,307,675	...	...	485,839,772
Massachusetts	1,111,160,072	473,596,730	1,584,756,802	1,340,493,673	507,037,749	1,847,531,422
Michigan	432,861,884	84,804,475	517,666,359	...	...	849,921,063
Minnesota	203,446,781	54,581,906	258,028,687	382,337,464	87,494,258	469,831,722
Mississippi	79,469,530	31,158,599	110,628,129	90,270,185	39,617,119	129,887,254
Missouri	381,985,112	150,810,689	532,795,801	518,803,118	181,133,128	699,936,246
Nebraska	55,073,375	35,512,407	90,585,782	96,358,889	40,546,015	136,904,904

Nevada . .	17,941,030	11,350,429	29,291,459	15,649,537	10,790,670	26,440,207
N. Hampshire	122,733,124	42,022,057	164,755,181	130,298,846	87,823,711	218,122,557
New Jersey .	442,632,638	129,885,723	572,518,361	. . .	. . .	573,256,304
New York .	2,329,282,359	322,657,647	2,651,940,006	3,114,029,214	346,099,669	3,461,139,614
No. Carolina	101,709,326	54,390,876	156,100,202	126,883,382	75,561,351	202,444,733
Ohio . . .	1,093,677,705	440,682,803	1,534,360,508	1,173,106,705	515,569,463	1,688,676,168
Oregon . .	32,584,966	19,937,118	52,522,084	. . .	. . .	77,188,694
Pennsylvania	1,540,007,957	143,451,059	1,683,459,016	1,697,202,153	1,463,814,762	3,161,016,915 [4]
Rhode Island	188,224,450	64,312,214	252,536,673	243,658,190	84,872,369	328,530,559
So. Carolina	77,461,670	56,098,465	133,560,135	82,943,380	41,867,145	124,810,525
Tennessee .	195,644,200	16,134,338	211,778,538	200,118,265	24,790,914	224,909,179
Texas. . .	205,508,924	114,855,591	320,364,515	. . .	. . .	650,412,401
Vermont. .	71,436,623	15,370,152	86,806,775	107,264,665	49,927,597	157,192,262
Virginia . .	233,601,599	74,853,536	308,455,135	257,468,760	81,873,963	339,342,723
West Virginia	105,000,306	34,622,399	139,622,705	116,746,529	42,768,223	159,514,752
Wisconsin .	344,788,721	94,183,030	438,971,751	398,372,090	104,713,164	503,085,254

[1] Columns one, two, and three are taken from the census report for 1880; and columns four, five, and six, compiled from financial reports of states and "American Almanac." The latest reports accessible have been used.

[2] These assessed valuations may be of some value, but assessed valuations are so uncertain and variable, as already pointed out, that these statistics should be used with caution. The way in which personal property escapes valuation is clearly brought out. In Georgia, largely agricultural, the personal property is a little over four-tenths of the total valuation of real and personal property; whereas, in New York, where there is relatively far more personal, the assessed value of personal is only one-tenth that of all the property, real and personal. In Georgia, it should be noticed that while in the whole state the personal is assessed for $124,141,286, and the real for $182,360,292, in Atlanta the personal is assessed for only $7,304,703, and the real for $24,532,777, although of course the personal is relatively greatest in the city.

[3] There is no valuation of property for the purpose of taxation.

[4] It will be remembered that in Pennsylvania real estate is not taxed for state purposes. The amount given for personal property includes corporations.

In some states the valuation of railroad property is given separately, and is not included in the above aggregate valuation for 1887. In 1880 the railroad property seems to be included. The separate valuations of railroad property are given as follows: —

Alabama	$22,296,870	Nebraska	$23,601,362
Arkansas	13,704,639	New Hampshire	13,536,711
Georgia	22,981,927	Nevada	9,212,451
Illinois	62,972,101	North Carolina	7,075,252
Iowa	38,722,761	South Carolina	16,263,822
Kansas	32,453,776	Tennessee	31,547,582
Kentucky	33,722,621	Virginia	35,700,515
Missouri	42,847,264	West Virginia	14,488,758

In order to determine the full valuation the above sums must be added to the totals of real and personal property as given in the table. In states where railroad property is not given separately it is included in the totals of real and personal property.

4. REGISTER OF THE GRAND LIST OF CONNECTICUT FOR 1864 TO 1885.

YEAR.	DWELLING-HOUSES		LAND		MILLS, STORES, ETC.		HORSES, ETC.		NEAT CATTLE.	
	No.	Value	No. Acres	Value.	No.	Value.	No.	Value.	No.	Value.
1864	72,664	$75,066,699	2,517,690	$60,819,400	7,519	$21,581,903	37,492	$3,041,742	191,092	$5,505,238
1865	71,532	76,770,214	2,526,158	61,108,638	6,583	23,182,077	43,133	3,327,309	189,006	6,459,937
1866	75,500	82,397,202	2,540,152	62,723,923	7,136	25,920,648	46,966	3,703,399	203,462	7,158,802
1867	77,151	91,384,682	2,604,286	65,154,442	7,403	28,885,949	48,861	3,932,017	212,687	7,407,525
1868	77,950	96,608,530	2,605,280	66,587,874	7,477	31,464,351	50,406	3,971,364	218,705	7,718,628
1869	81,579	102,343,089	2,636 337	67,350,719	7,511	34,416,701	52,969	4,109,534	236,753	7,807,920
1870	81,062	108,151,501	2,566,006	67,821,912	7,112	36,027,024	52,134	4,098,444	227,445	6,592,664
1871	85,593	117,402,866	2,590,500	70,109,420	8,002	38,032,651	56,553	4,056,423	213,673	5,186,709
1872	85,407	123,201,151	2,565,291	69,946,918	6,893	41,258,363	55,152	4,060,485	184,000	4,803,998
1873	86,409	127,948,625	2,442,473	70,737,824	7,483	42,743,204	58,397	4,122,185	187,188	4,549,350
1874	86,112	132,862,332	2,526,068	69,718,129	7,806	43,734,288	56,094	4,063,800	177,140	4,542,660
1875	89,275	132,931,843	2,467,917	68,773,209	7,604	42,416,853	56,994	3,941,881	171,941	4,431,320
1876	82,682	131,266,564	2,536,105	66,790,412	6,490	39,970,056	55,189	3,707,820	180,479	4,161,388
1877	100,108	128,572,389	2,524,515	64,660,495	7,883	42,179,807	50,530	3,451,752	184,332	4,053,494
1878	93,555	125,021,813	2,596,353	62,550,004	8,029	41,415,883	58,100	3,273,719	193,112	4,023,946
1879	94,221	125,643,788	2,470,307	61,967,658	8,171	42,465,717	59,284	3,283,288	207,476	4,162,355
1880	95,047	127,305,583	2,513,540	61,140,911	9,183	42,762,472	60,457	3,338,353	197,956	4,129,654
1881	97,180	129,016,982	2,498,444	60,097,463	9,162	42,855,562	65,783	3,407,278	194,587	4,039,710
1882	97,585	131,711,234	2,489,961	60,331,325	9,367	45,578,877	59,820	3,428,827	175,714	3,914,348
1883	96,395	135,030,726	2,511,221	60,400,270	9,586	48,427,716	59,877	3,462,791	165,226	3,759,249
1884	94,815	139,062,836	2,537,663	59,692,984	10,327	48,869,690	63,914	3,498,760	163,454	3,682,017
1885	104,832	141,114,155	2,439,825	59,404,641	9,889	49,893,435	59,156	3,486,051	159,290	3,633,489

REGISTER OF THE GRAND LIST OF CONNECTICUT FOR 1864 TO 1885. — *Continued.*

YEAR	SHEEP AND SWINE		CARRIAGES, ETC.		FARMING UTENSILS.	CLOCKS, WATCHES, ETC.		PIANOFORTES, ETC.	
	No.	Value	No.	Value		No.	Value	No.	Value.
1864	54,054	$400,[illegible]84	13,722	$1,100,409	$128,071	13,919	$596,545	1,780	$575,429
1865	57,[illegible]2	524,[illegible]	14,939	1,229,151	177,841	15,496	699,212	1,894	681,552
1866	62,283	455,556	15,101	1,421,320	231,969	14,030	751,510	2,202	792,961
1867	53,043	34[illegible],[illegible]45	15,034	1,541,284	284,225	14,575	763,225	2,772	865,743
1868	4[illegible],021	278,103	15,022	1,566,950	306,256	14,090	803,261	2,510	925,320
1869	38,647	23[illegible],576	15,217	1,630,075	354,294	13,370	820,998	2,540	971,449
1870	30,530	214,[illegible]6	15,004	1,[illegible]36,617	392,448	12,971	834,064	2,696	1,011,758
1871	24,[illegible]2	148,[illegible]7	15,396	1,739,104	321,449	12,319	838,776	2,549	1,024,324
1872	20,776	148,[illegible]2	15,504	1,814,083	365,923	9,578	856,496	2,186	1,035,485
1873	2[illegible],[illegible]23	150,972	17,420	1,849,078	365,491	12,510	843,070	2,673	1,043,168
1874	24,927	166,568	19,835	1,898,137	343,380	13,124	858,533	2,735	1,080,674
1875	23,362	172,162	18,190	1,823,187	200,882	9,132	679,111	2,437	1,023,638
1876	21,274	155,343	15,444	1,767,607	297,962	4,936	665,505	1,672	995,555
1877	17,581	146,104	18,721	1,693,723	181,610	9,262	613,965	3,092	943,190
1878	18,118	132,929	19,833	1,613,490	208,340	8,713	584,705	2,593	896,396
1879	15,106	131,203	18,798	1,615,430	220,340	7,244	579,444	2,751	877,795
1880	17,567	140,807	17,736	1,623,690	138,920	7,117	567,214	2,990	886,509
1881	15,794	138,025	23,106	1,678,032	158,307	7,365	576,233	3,186	874,236
1882	17,420	172,877	20,189	1,681,200	162,936	6,361	556,871	2,844	862,062
1883	12,829	122,895	20,400	1,721,388	169,500	5,836	556,096	3,625	871,020
1884	13,710	117,298	21,445	1,721,708	183,970	5,593	536,278	3,331	879,530
1885	12,867	110,387	18,480	1,705,427	186,208	5,856	517,119	3,714	835,951

REGISTER OF THE GRAND LIST OF CONNECTICUT FOR 1864 TO 1885. — *Continued.*

YEAR.	HOUSEHOLD FURNITURE, ETC.	QUARRIES, FISHERIES, ETC.	BRIDGE, ETC., STOCKS.	BANK, INSURANCE, ETC., STOCKS.	STATE STOCKS.	RAILROAD, CITY, ETC., BONDS.	AMOUNT EMPLOYED IN MERCHANDISE.	INVESTMENTS IN MECHANICAL AND MANFG. OPERATIONS.
	Value.	Value.	Value.	Value.	Value.	Value.	Value.	Value.
1864	$1,304,757	$ 900,894	$ 216,434	$28,375,864	$ 775,571	$3,453,705	$8,174,222	$16,707,833
1865	1,478,628	783,149	195,507	29,904,189	816,853	4,360,255	9,526,126	18,520,465
1866	1,801,398	850,718	241,713	33,121,284	595,620	4,608,482	10,652,744	20,772,921
1867	2,013,221	1,063,217	222,533	32,242,431	713,802	5,119,898	11,611,223	21,920,422
1868	2,019,367	1,163,391	309,781	31,756,589	805,122	5,226,027	11,904,213	23,105,022
1869	2,040,137	1,327,387	225,589	32,851,022	714,863	5,204,895	12,317,122	23,639,411
1870	2,010,798	1,543,051	262,425	32,068,587	899,479	5,459,283	13,056,957	23,484,972
1871	2,058,799	1,473,247	219,654	31,768,498	427,556	5,503,799	13,215,474	23,422,470
1872	2,144,730	1,618,324	366,953	29,797,746	291,293	5,311,456	13,953,767	23,576,885
1873	2,067,821	1,608,560	272,719	28,487,347	436,536	4,661,736	13,486,146	25,162,815
1874	2,991,430	1,469,912	192,308	29,875,166	384,302	3,853,061	13,080,703	25,098,503
1875	1,393,559	1,440,840	206,159	31,169,019	291,448	5,106,584	13,676,661	24,088,235
1876	1,287,375	1,379,496	149,227	31,525,601	282,841	4,087,703	15,253,262	20,826,407
1877	1,191,023	1,463,552	105,464	31,034,882	303,824	3,812,660	10,659,723	22,409,810
1878	1,108,450	1,440,512	128,548	30,015,859	605,971	3,533,767	9,932,130	21,444,891
1879	1,036,200	1,422,492	115,189	30,208,790	343,413	4,066,194	10,384,208	20,884,838
1880	1,023,017	1,308,650	117,270	31,662,855	354,502	4,394,546	10,595,508	22,971,772
1881	1,030,480	1,534,441	132,989	34,200,715	370,165	4,818,659	11,296,090	23,947,744
1882	1,040,915	1,580,499	103,142	32,925,080	625,226	4,829,278	11,987,033	24,113,325
1883	1,037,439	1,337,075	163,233	32,330,279	472,397	5,105,065	12,774,693	25,015,795
1884	1,044,087	1,341,227	154,866	30,616,866	530,360	5,796,401	12,095,901	24,757,786
1885	1,076,809	1,283,265	148,898	30,100,440	554,756	4,598,436	12,665,825	23,796,218

REGISTER OF THE GRAND LIST OF CONNECTICUT FOR 1864 TO 1885. — *Continued.*

YEAR	INVESTMENTS IN VESSELS, ETC	MONEY AT INTEREST.	MONEY ON HAND.	ALL OTHER TAXABLE PROPERTY.	ADDITIONS BY BOARD OF EQUALIZATION AND 10 PER CENT. BY TOWNS.	AMOUNT.	POLLS AT $3.00 EACH. IN 1867, $1.00 EACH.	TOTAL.
	Value	Value.	Value	Value				
1864	$2,819,491	$13,789,382	$764,119	$8,519,715	. ...	$254,617,407	$21,469,050	$276,086,457
1865	3,010,022	14,284,821	1,051,275	6,199,128	$4,509,108	266,856,256	21,204,865	290,013,121
1866	3,486,007	13,829,287	1,230,785	5,908,604	2,862,145	285,615,884	21,496,485	309,974,514
1867	3,743,333	13,962,179	1,066,295	3,143,701	7,306,565	304,688,856	58,247	304,747,103
1868	3,869,304	13,511,821	1,128,074	3,329,320	4,207,080	312,574,408	.....	312,574,408
1869	3,780,313	13,145,023	1,066,480	2,924,188	3,272,097	322,553,488	... ..	322,553,488
1870	3,085,300	12,430,610	1,162,240	2,729,776	2,861 689	328,436,601	.....	328,436,601
1871	3,576,222	12,314,823	994,692	2,812,175	3,135,035	339,782,733	.....	339,782,733
1872	3,221,107	12,311,630	1,022 499	4,329,582	3,358,425	348,855,457	.....	348,855,457
1873	3,848,503	11,580,717	791,707	3,950,857	3,391,276	354,099,707	.... .	354,099,707
1874	3,451,919	11,686,641	825,160	4,314,980	2,898,865	358,491,451	.....	358,491,451
1875	2,188,805	9,958, 754	998,780	3,253,089	2,618,350	351,785,469	.....	351,785,469
1876	2,511,349	9,772,162	1,025,149	3,599,548	2,928,645	344,406,977	.....	344,406,977
1877	2,605,680	8,359,019	930,648	3,472,164	2,537,576	335,382,854	... ..	335,382,854
1878	2,186,861	7,992,874	926,658	3,540,370	2,300,907	324,889,023	.....	324,889,023
1879	2,145,665	8,050,436	1,142,680	3 868,262	2,567,050	327,182,435	.....	327,182,435
1880	2,211,023	8,088,735	1,334,593	3,366,089	2,708,183	332,170,856	.....	332,170,856
1881	2,247,825	8,280,779	1,379,547	3,534,207	2,792,607	338,414,076	.....	338,414,076
1882	2,547,094	7,859,625	1,165,663	2,761,917	2,303,212	342,242,566	.....	342,242,566
1883	2,679,205	7,007,878	1,108,905	2,582,067	2,638,297	348,774,879	.....	348,774,879
1884	2,605,790	7,028,153	1,104,296	2,029 085	3,027,450	349,977,339	.....	349,977,339
1885	2,164,373	6,931,583	1,123,949	2,191,503	1,714,679	349,177,597	. .	349,177,597

5. VALUATION OF PROPERTY IN CHARLESTON.[1]

The assessed valuation of real estate for 1886 was $16,933,565; of personal property, $7,809,212; total of real and personal, $24,742,777.

The following personal property was returned for taxation: —

1543 horses and mules	$128,885
322 neat cattle	8,270
1127 gold and silver watches and plate	84,482
554 piano-fortes, melodeons, and cabinet organs	48,950
443 carriages, buggies, etc.	40,190
1136 wagons, drays, carts, etc.	43,792
774 dogs	7,740
Merchandise, moneys, credits pertaining to business of merchants	2,182,237
Materials, machinery, engines, tools, and fixtures of manufacturers	907,086
Moneys, bank bills, and circulating notes on hand or deposit, and all credits	451,516
Stocks and bonds of companies, corporations, and persons (exclusive of United States, state, and city), and receipts of insurance agencies	3,252,656
Vessels, boats, and other floating property	201,618
All other property, including household furniture	451,790
Total	$7,809,212

[1] From Charleston Year Book, 1886.

VI PUBLIC DEBTS OF STATES AND CITIES.

1. CONSTITUTIONAL PROVISIONS REGARDING STATE AND MUNICIPAL DEBTS.[1]

STATES.	STATE.								MUNICIPAL.			
	Legislature may authorize temporary loan not exceeding, with all other such debts, —	Other debts may be contracted: To repel invasion or suppress rebellion	Other debts may be contracted: To pay state debt	Other debts may be contracted: For other purposes when distinctly specified in bill, ratified by people, and provision made for payment	No debt can be contracted unless authorized by a law which shall at the same time make provisions for payment[4,5]	Law referred to in preceding column may not be repealed until the debt is paid.	Provision is made for a sinking fund.	An act authorizing a state debt (except as in column one) must be ratified by people at a general election	No municipality can, in the aggregate, be indebted or contract debts to an amount exceeding the following per cents of valuation	No municipality may contract debt (except temporary) without assent of voters at a special election	A municipality creating a debt must at same time make provision for its payment by tax or sinking fund.	Private property shall not be liable to be taken and sold for payment of corporate debts of municipal corporations.
Alabama	$100,000	×	×	..	..	..	..	.	..	..	..	..
Arkansas	...	..	×	..	..	..	..	.	.	..	..	..
California	300,000	×	..	×	..	×	..	×	..	×[11]	×	×
Colorado	100,000	×	..	×	..	×	..	..	3%[10]	×[12]	×[10]	×
Connecticut	..	..	..	..	..	.	..	..	..	..	..	..
Delaware	...	..	..	..	..	..	..	..	.	..	..	..
Florida	..	..	..	..	..	..	..	..	.	..	..	..
Georgia	200,000	×	×	..	..	..	×	..	7%	×[11]	×	..
Illinois	250,000	×	..	×	×	×	..	×	5%	..	×	×
Indiana	(2)	×	×[8]	.		..	..	..	2%	..	..	..
Iowa	250,000	×	..	×	×	×	..	×	5%	..	..	..
Kansas	1,000,000	×		×	×	×	.	×		.	..	
Kentucky	500,000	×	×	×	×		×	×			..	

Louisiana . . .	. . .	X	..	..	..	..	..	.	..	..	..	..
Maine	$300,000	X	..	..	..	..	..	..	5%	..	..	..
Maryland . . .	50,000	X	..	X	X	X	..	..	..	..	..	..
Massachusetts .	. . .	..	..	..	..	..	..	..	..	..	..	..
Michigan . . .	50,000	X	..	..	..	..	X	..	..	..	..	..
Minnesota . . .	250,000	X	..	..	X	X	..	..	..	..	..	..
Mississippi . . .	. . .	..	..	..	..	..	..	..	..	..	..	..
Missouri	250,000	..	X	.	X[4 7]	..	..	X[8]	5%	X[11]	X	X
Nebraska . . .	100,000	X	..	..	..	..	..	..	..	.	..	X
Nevada	300,000	X	..	..	X	X	..	..	..	..	..	..
New Hampshire	. . .	..	..	..	..	..	..	..	..	..	..	..
New Jersey . .	100,000	X	..	X	X	X	..	X	..	..	..	..
New York . . .	1,000,000	X	X	X	X	X	..	X	10%[9]	..	..	..
North Carolina .	(2)	X	..	X	X[6]	..	..	..	..	..	..	..
Ohio	750,000	X	X	..	..	..	..	..	..	..	..	..
Oregon	50,000	X	..	..	..	..	..	..	..	..	..	..
Pennsylvania . .	1,000,000	X	X	..	..	..	X	..	7%	..	X	..
Rhode Island .	50,000	X	..	X	..	..	..	X	..	..	..	..
South Carolina .	(2)	..	..	X	X	..	..[10]	X[8]	8%	..	..	..
Tennessee . . .	. . .	..	..	..	..	..	..	..	..	..	..	..
Texas	200,000	X	X	..	..	..	..	..	..	..	X	..
Vermont	. . .	..	..	..	..	..	..	..	..	..	..	..
Virginia	(2)	X	X	..	..	..	X	..	..	..	..	..
West Virginia .	(2)	X	X	..	..	..	..	..	5%	X[18]	X	..
Wisconsin . . .	100,000	X	..	..	..	..	..	..	5%	..	X	..

[1] Compiled from Stimson's "American Statute Law." [2] Amount not limited. [3] Interest on debt only. [4] Except debts incurred to meet a casual deficit. [5] Except debts incurred to repel invasion and suppress insurrection. [6] This condition ceases to apply when the bonds of state touch par. [7] When the debt is over $250,000. [8] And by a ⅔ vote of the people. [9] Of counties containing cities over 100,000 in population, or of such cities alone. [10] Of cities and towns only. In counties having valuation under $5,000,000, ⅛ per cent.; over $5,000,000, 1/10 per cent. [11] By vote of ⅔. [12] By majority of tax-payers. [13] By ⅔ vote at special election.

2. ADDITIONAL CONSTITUTIONAL PROVISIONS REGARDING STATE AND MUNICIPAL DEBTS.

Temporary Loans.

In Alabama no new loan can be negotiated until the old one is paid.

A law authorizing a temporary loan must provide annual taxes sufficient to pay principal and interest: in Wisconsin in five years; in Minnesota in ten years; in Kansas when due; in Missouri in two years. In Nebraska sufficient taxes must be laid to pay the interest. Such provisions, except in Missouri, are declared irrepealable.

Other debts.

In addition to those mentioned in the table, debts may in Colorado and Florida be contracted (but not to exceed $50,000 in Colorado) for the erection of public buildings; and also in the latter state for the support of state institutions or the completion of public works; in Kansas debts may be contracted for public improvements, but not to exceed $1,000,000.

In Maine the constitution authorizes a special war debt of $3,500,000. In Virginia, Arkansas, and South Carolina there are constitutional provisions forbidding the issuing of interest-bearing treasury warrants or scrip, — except in Virginia, for redemption of bonds previously issued, and in South Carolina and Virginia, for such debts as are expressly authorized by the constitution.

Payment of debts.

As indicated above, provision must be made in most of the states for payment of debts when the debt is contracted.

It is further obligatory that provision shall be made for the payment of the debt, principal and interest: when due, in Iowa, Minnesota, Kansas, Nebraska; or within thirteen years, in Maine, Minnesota and Missouri; within fifteen years, in Maryland, Missouri, and Colorado; within eighteen years, in New York; within twenty years, in Iowa, California, and Nevada; within thirty years, in Kentucky; and within thirty-five years, in New Jersey. In Illinois and North Carolina and South Carolina it is required that the payment of interest when due shall be made.

Limitation of state's power to contract debts; Rebellion debts.

By the constitutions of Virginia, North Carolina, Georgia, and Mississippi, the state shall never assume, pay, etc., any debt incurred in aid of rebellion against the United States, nor shall any tax in Virginia or North Carolina be levied for the purpose of aiding rebellion against the state or the United States; and in Florida all debts contracted by the state or its municipalities during the war, except for school purposes, are void, nor shall any such debt ever be paid in South Carolina; and it is further required in the latter state that all debts must be by state bonds not under $50 each, payable in twenty years.

Repudiation.

The constitutions of North Carolina, Missouri, Mississippi, and Arkansas provide for the repudiation of certain debts.

MUNICIPAL DEBTS.

Purposes.

The constitutions of several states make the following restrictions upon municipalities, etc., in respect to the con-

traction of debts: No country, city, or village shall in New York contract debts except for county, city, and village purposes; in Colorado, except for making and repairing public roads and bridges, and for erecting public buildings. In Indiana no county can borrow money for the purchase of stock in any private corporation. No county, city, or other municipality can issue interest-bearing evidences of indebtedness, except in payment of debts previously (1874) existing in Kansas; in Texas, counties or cities bordering on the Gulf may levy taxes and issue loans for the erection of sea-walls, breakwaters and for sanitary purposes. In Colorado, school districts may contract a loan upon majority vote of the tax-payers therein. A constitutional provision concerning counties in Maryland has already been noticed under "Loans of Credit."

Amount.

No county in Oregon shall create debts to exceed $5000. Debts in excess of above limitations may be contracted under certain circumstances: in Oregon, to repel invasion or suppress insurrection; or in Indiana, to provide for the protection of the people in time of war or great public calamity, on the petition of a majority of the property-owners; or in Missouri, to erect a court house or jail; or in New York and Colorado, to supply water to the city or town. But in Colorado counties may incur debt to a greater amount than as above limited by a majority vote of the tax-payers in such county, but only to double such amount.

Payment.

A municipality creating a debt, must at the same time make provision for the payment of the same, principal and

interest, either by a tax or sinking fund, within twenty years in Illinois, Wisconsin, Missouri, California; within fifteen years in Colorado; within thirty years in Pennsylvania, New York, and Georgia; and within thirty-four years in West Virginia. In Texas the sinking fund must be of two per cent. annually.

3. BONDED DEBTS OF STATES AND CITIES.[1]

STATES.	STATE BONDED DEBT. 1887.[2]	STATE BONDED DEBT. 1880.[3]	BONDED DEBTS OF CITIES AND TOWNS, ETC., HAVING 7,500 OR MORE INHABITANTS. 1880.	BONDED DEBTS OF CITIES, TOWNS, ETC., HAVING LESS THAN 7,500 INHABITANTS. 1880.
Alabama . . .	$9,193,900	$9,008,000	$3,492,500	$425,700
Arkansas . . .	5,108,043	2,813,500	178,694	361,733
California. . .	2,698,000	3,403,000	7,055,115	398,250
Colorado . . .	none	. . .	16,000	342,150
Connecticut . .	4,270,000	4,967,600	12,848,054	2,582,200
Delaware . . .	465,000	880,750	1,372,450	44,100
Florida . . .	1,275,000	1,280,500	266,497	760,786
Georgia . . .	8,733,500	9,951,500	8,927,800	668,725
Illinois . . .	none	. . .	18,590,680	2,452,752
Indiana . . .	6,430,608	4,998,178	6,958,700	1,871,429
Iowa	245,435	370,435	3,091,959	584,303
Kansas . . .	815,000	1,181,975	1,839,813	955,709
Kentucky. . .	694,000	1,858,008	10,321,500	783,316
Louisiana . .	11,982,621	22,430,800	15,655,499	96,000
Maine	3,959,000	5,848,900	12,402,450	3,650,353
Maryland. . .	10,960,535	11,277,111	21,158,375	43,575
Massachusetts .	31,429,680	33,020,464	73,696,019	3,092,465
Michigan. . .	241,993	905,150	5,546,045	837,356
Minnesota . .	3,964,000	2,565,000	2,991,911	686,387
Mississippi . .	3,752,904	379,485	373,218	94,246
Missouri . . .	10,527,000	16,259,000	25,666,449	1,280,059
Nebraska. . .	449,267	499,267	428,535	213,465
Nevada . . .	541,000	56,400	112,000	20,000

DEBTS OF STATES AND CITIES. — *Continued.*

STATES.	STATE BONDED DEBT. 1887.	STATE BONDED DEBT. 1880.	BONDED DEBTS OF CITIES AND TOWNS, ETC., HAVING 7,500 OR MORE INHABITANTS. 1880.	BONDED DEBTS OF CITIES, TOWNS, ETC., HAVING LESS THAN 7,500 INHABITANTS. 1880.
New Hampshire	$2,912,600	$3,501,100	$2,952,400	$1,663,759
New Jersey . .	1,496,300	1,896,300	38,648,850	2,795,654
New York . .	7,444,310	8,988,360	208,536,882	2,184,102
North Carolina .	13,179,045	5,006,616	697,900	248,656
Ohio	3,845,229	6,476,805	40,683,526	1,926,285
Oregon . . .	110,000	356,508	76,500	10,000
Pennsylvania .	15,692,600	21,561,990	95,445,234	2,804,012
Rhode Island .	1,341,000	2,534,500	11,424,750	116,000
South Carolina .	6,122,928	6,639,171	5,380,301	124,255
Tennessee . .	11,412,900	20,991,700	4,433,400	353,834
Texas	4,237,730	5,566,928	3,141,662	261,731
Vermont . . .	none	4,000	607,900	2,606,963
Virginia . . .	29,095,967	29,345,226	10,707,177	866,666
West Virginia .	none	. . .	506,500	394,100
Wisconsin . .	2,252,000	11,000	3,683,651	3,343,583
Total of States	216,879,095	246,835,027	681,616,460	41,945,259

[1] It must be remembered that the debts of both states and cities are really smaller than they appear to be. I suppose all of the property belonging to states and cities would far more than equal the debt, and the productive property owned by states and cities is in the aggregate worth a large sum. Sinking funds are becoming universal, and these often hold a large part of the nominal debt, and sometimes all of it. Other funds, educational trust funds and the like, own state and city bonds. Iowa, Wisconsin, and California practically owe nothing, although they stand in the reports among states with debts. The sinking fund of Kentucky exceeds the amount of the debt. The newspapers recently reported that Texas has a surplus of three millions of dollars. The debts of all the states may be regarded as comparatively very small. Many cities are getting out of debt. I suppose the productive property of Baltimore City, if waterworks are included, is worth a great deal more than the debt. The city owns 32,500 shares of Baltimore and Ohio stock, which for years paid ten per cent. dividends. It is said that the city practically owns the Western Maryland Railroad. On this subject the statistics about revenues and expenditures already given should be consulted.

[2] In column one are given the state debts as found in the latest reports, for the most part on or about January 1, 1887. The figures may not exactly agree with those in the detailed statements above, for the reason that returns for a later date than those of statistics there given have been received. Columns two, three, and four have been taken from the Census Report of 1880, Volume VII., page 755.

[3] The bonded debt of the counties in 1880 amounted to $105,314,884: that of townships to $29,881,548. The floating debts of state, county, city, and township are not considerable in amount, and are not here taken into account.

VII.

INHERITANCE AND BEQUESTS.

I. COMMENTS ON PROPOSED CHANGE IN THE STATUTES OF DESCENT AND WILLS IN ILLINOIS, SO AS TO INSURE A MORE GENERAL DIVISION OF PROPERTY AMONG THE PEOPLE.

AT the meeting of the Illinois State Bar Association January, 1886, the committee on law reform recommended, among other things, a most important change in the statutes of descent and wills, which we think ought to receive profound consideration. The recommendation is as follows: —

"That the statutes of descent of property and of wills be so changed as to limit the amount that any one may take by descent from the same person or by bequest or devise, except for educational and other charitable purposes."

The committee proceed to say that they would not recommend such a limitation as would carry the estate away from the kin of the decedent, or that would change the law as to the great majority of estates, but they would apply the limitation to those "abnormally large fortunes" which by being kept together as they may be as the law now stands "menace the political power of the state."

The exact way in which such estates should be divided — that is, among whom as heirs and in what proportions is not set forth. The committee seem to have thought it better to leave the details to the wisdom of the legislature. They do,

however, by way of example, tell us where the limitation might begin, and how it could be applied. They say that the amount a child might inherit might be limited to $500,000; those standing in the next degree of kinship $100,000; if there is more than enough to satisfy those in that degree the overplus to go to the next, with a like limitation, and so on until the estate is exhausted.

Suppose the estate to amount to $1,000,000 and that the decedent left one child, and brothers and sisters and other kinsmen; the child would take $500,000, and the remaining $500,000 would go, first to the brothers and sisters, not exceeding $100,000 to each, and if there remained a balance, that would go to those standing in the next degree of kinship to the decedent, with a like limitation, and so on until the whole estate is exhausted. If there are no heirs, or after paying off all who are entitled to share in the estate there still remains a balance, this may go to the state, or under the law as it now stands, in case there are no heirs capable of taking the estate of an intestate.

The committee disavow any intention of a departure from the settled policy of the law of this country upon the subject in hand; on the contrary, they insist that their "recommendation is in harmony with the spirit of our institutions, and in the same direction as the present laws against perpetuities, entailments, and of descent."

That they are not agrarian or communistic in their sympathies is shown by the liberality of their limitation. Those estates which fall short of the limitation would not be affected. Half a million dollars ought to be a reasonably satisfactory fortune for a young man or young woman to begin with, and the other poor kinsmen would find life not unreasonably burdensome to whose store a hundred thousand dollars should be added by way of windfall. It is not

unlikely that the most serious apprehension which will be excited by the proposed reform will be, that if the legislature once enters upon the policy of limiting the amount one may take by descent or will, that it will run to extremes. In our estimation, however, this fear is substantially groundless. The conservative force of property itself will be amply sufficient to meet this danger. The greater danger is that the influence of property interest is so great as to render any reform in the direction suggested out of the question, except through the means of revolution.

The report does not enter into an extended argument in support of the recommendation, but one of the points made is, that while the laws as they now stand were sufficient, in the days of slow accumulations, to counteract the tendency to mass the wealth of the country in few hands, that times have changed, and they no more have that effect. The report adds: —

"There never was a time in the history of the world when the power of money in skilful hands was so great as the present; or when the use of that power was made so conspicuous. The new forces at its command are augmenting it with wonderful rapidity. Already the sceptre has passed from the sword to the counting-house. The fact that one individual may monopolize hundreds of millions of the wealth of the nation and pass it at last by will to another, with all its possibilities, is a growing source of uneasiness among all classes of society.

"It cannot be denied that in the proportion that the very rich are increased, so is the number of the very poor also increased, and the number of those comfortably off decreased."

After some discussion by members of the Bar Association present at the meeting, the subject was referred back to

Messrs. H. B. Hurd and James A. Connolly, members of the committee making the recommendation, with request that they report at the annual meeting of the association to be held at Springfield, January, 1887, giving more fully their reasons in support of the measure, and if they think proper, presenting a draft of a bill in accordance with the recommendation.

We shall look with interest for this report and the treatment it will receive at the hands of the members of the association. Lawyers are proverbially conservative, and it is not a little encouraging that so advanced a measure has been brought forward by them.[1]

At a meeting of the Bar Association of the State of Illinois, in January, 1887, Messrs. Harvey B. Hurd and James A. Connolly made a report on the laws governing inheritance and bequests. From the abstract, as given in Jacobson's "Higher Ground," the following quotation is taken: —

"As to whether the disposition of property upon the death of the owner was within the control of the legislative power of the state, it should be said that there never was a time in the history of the law when such disposition was not regulated by the state. No state, as far as known, had seen fit to impose any constitutional restriction upon the exercise of this power. Both in England and in this country the power to dispose of property by will was the creature of the statute. The statutes of wills of the different states were almost as variant as the statutes of descent. There was no constitutional restriction upon the right of the legislature to make and change such laws to suit the wishes of the people, nor was there any vested right standing in the way."

[1] Reprint from *Chicago Law Times*

2. BILL INTRODUCED INTO THE ILLINOIS LEGISLATURE TO REFORM STATUTES OF DESCENT AND WILLS.

In the legislature of Illinois, session of 1887, the following, among other proceedings, were had: —

HOUSE BILL, NO. 233.

35th Assembly, Illinois. — January, 1887.

Introduced by Mr. Collins's special committee, January 28, 1887.

First reading January 28, 1887, ordered printed and referred to Committee on Judiciary.

The Special Committee, to whom was referred the preparation of a bill to restrict the amount any person or corporation may take by descent or will from the same decedent, respectfully report the following bill: —

W. H. COLLINS, *Chairman.*

A Bill for an Act to restrict the Amount any Person or Corporation may take by Descent or Will from the same Decedent.

Section 1. *Be it enacted by the People of the State of Illinois represented by the General Assembly*, No person shall, by will or testament, devise or bequeath, either in trust or otherwise, more in value or amount, to the same person, than as follows, to wit: To his or her surviving wife or husband, not more than the sum or value of five hundred thousand dollars, or if the estate of decedent is in whole or in part in land, not more than fifteen hundred acres of land; to a child of the testator, or of his or her wife or husband, or a legally adopted child, not more than the sum of five hun-

dred thousand dollars, or if the estate or decedent is in whole or in part in land, not more than fifteen hundred acres of land; to the descendants of a child, in case of the death of the child, not more than by this section might be given to the child if she or he were living; to any other person or corporation, not more than the sum or value of one hundred thousand dollars; and any devise or bequest shall be valid to such amount or value, and no more. This section shall not apply to devises or bequests for educational or benevolent purposes.

Sect. 2. No person shall be capable of taking by descent or distribution either of the real or personal estate of any person who shall die after the taking effect of this act, more in value and amount, as follows, to wit: A surviving husband, or wife, or child, or a descendant of a child when he can take directly and not by representation, not to exceed five hundred thousand dollars, or if estate of decedent is in whole or in part land, not more than fifteen hundred acres of land. The descendants of a child taking by representation may take the same as the person he or she represents might have taken if he or she were living. No other person entitled to take by descent or distribution shall be capable of taking from the same decedent more than one hundred thousand dollars. When the estate is more than sufficient to give to the persons first entitled to take the full amount to which they are limited by this act, the balance, or so much thereof as may be sufficient to give to each of them the amount they may take under the limitations contained in this act, shall go to the kin of the deceased standing next in kinship after those first entitled to take under the laws of descent in their degree and their representatives. If there is more than sufficient to give to each of those standing in that degree of kinship and entitled to take the

amount he or she may take under this act, the balance, or so much thereof as may be sufficient to give to each of those the amount he or she may take under the limitations of this act, shall go to those standing in the next succeeding degree of kinship to the deceased and their representatives. The like rule shall be applied to any surplus, so long as there shall be any, until the whole estate is divided among the kindred of the deceased, preferring those standing nearest to the deceased, to the extent he or she may take under the limitations of this act. When there is not sufficient to give each of the persons standing in a certain degree of kinship and entitled to share the full amount he or she might take, such part of the estate shall be divided among them and those entitled to take by representation in equal shares, according to the rules of descent heretofore existing. If any balance remains after every person capable of taking the same shall have taken the amount or value he or she is entitled to take, the same shall escheat to the state, as in cases where there is no person capable of inheriting the estate. If in any case a person shall be entitled to take both by descent and by will from the same decedent, the aggregate in value or amount he or she may take shall not exceed the amount he or she is capable of taking by one of these ways.

Sect. 3. The inventory required by law to be made by an executor or administrator, in addition to the matters now required to be stated therein, shall also state the value of each piece or parcel of real estate of which the deceased died possessed of or was in any way entitled, and the total value of the whole estate, real and personal; which statement of the total value of said estate shall be conclusive upon all persons who shall claim any interest in such estate by descent or under the will of the deceased, by virtue of

this act, unless the same is changed as hereinafter provided. Upon a sworn petition of one or more persons interested in the estate as heirs or distributors, showing that such total value is too low or too high, the court shall appoint three disinterested persons to revalue the estate, who, being first sworn to make a just and true valuation thereof, shall revalue the same and make return of their valuation, which, unless set aside for fraud or mistake, shall be conclusive as to the rights of all persons claiming or to claim any interest in said estate by descent or under the will of the deceased. In all cases where a specific article or piece of real or personal property is given or devised by will, the value thereof may be inquired into in such way as the Probate Court shall direct.

Sect. 4. In the proof of heirship it shall not be necessary to show other than the heirs who will be entitled to share in the estate, taking into account the limitations contained in this act. Only such heirs or distributees as shall appear to be entitled to share in the estate need be notified of the final settlement by the executor or administrator.

Sect. 5. Before the final settlement of the estate, or with a view to making such settlement, the court shall find the total value of the estate, and who are the heirs or persons interested therein as heirs, legatees, devisees, or distributees, and the nature and amount of their respective interests, and may order the whole or any part of the real or personal estate, or both, to be sold, and the proceeds brought into court for distribution according to the rights of the parties, or may declare the rights and interests of the respective parties in the respective pieces and parcels of real estate, and may make any and all orders that may be necessary to carry into effect the provisions of this act.

Sect. 6. Every gift, conveyance, transfer, or disposition

of any real or personal estate made with intention to defeat the operation of this act shall be void.

Sect. 7. All acts or parts of acts inconsistent with the provisions of this act are hereby repealed.[1]

3. NEW YORK LAWS REGARDING COLLATERAL INHERITANCES AND BEQUESTS.

AN ACT to amend chapter four hundred and eighty-three of the laws of eighteen hundred and eighty-five, entitled "An act to tax gifts, legacies and collateral inheritances in certain cases."

PASSED June 25, 1887; three-fifths being present.

The people of the State of New York represented in Senate and Assembly, do enact as follows:—

SECTION 1. Chapter four hundred and eighty-three of the laws of eighteen hundred and eighty-five, entitled "An act to tax gifts, legacies and collateral inheritances in certain cases," is hereby amended so as to read as follows: —

§ 1. After the passage of this act all property which shall pass by will or by the intestate laws of this state, from any person who may die seized or possessed of the same while a resident of this state, or if such decedent was not a resident of this state at the time of death, which property, or any part thereof, shall be within this state, or any interest therein, or income therefrom which shall be transferred by deed, grant, sale or gift, made or intended to take effect in possession or enjoyment after the death of the grantor or bargainor, to any person or persons, or to any body politic or corporate, in trust or otherwise, or by reason whereof any person or body politic or corporate shall become beneficially entitled in possession or expectancy, to any property or to the income thereof, other than to or for the use of his or

[1] This is also quoted from Jacobson's "Higher Ground."

her father, mother, husband, wife, child, brother, sister, the wife or widow of a son, or the husband of a daughter, or any child or children adopted as such in conformity with the laws of the state of New York, or any person to whom the deceased for not less than ten years prior to his or her death stood in the mutually acknowledged relation of a parent, and any lineal descendant of such decedent born in lawful wedlock, or the societies, corporations and institutions now exempted by law from taxation by reason whereof any such person or corporation shall become beneficially entitled, in possession or expectancy, to any such property or to the income thereof, shall be and is subject to a tax of five dollars on every hundred dollars of the clear market value of such property, and at and after the same rate for any less amount, to be paid to the treasurer of the proper county, and in the city and county of New York to the comptroller thereof, for the use of the state, and all administrators, executors and trustees shall be liable for any and all such taxes until the same shall have been paid as hereinafter directed, provided that an estate which may be valued at a less sum than five hundred dollars shall not be subject to such duty or tax.

§ 2. When any grant, gift, legacy or succession upon which a tax is imposed by section first of this act, shall be an estate, income or interest for a term of years or for life, or determinable upon any future or contingent event, or shall be a remainder, reversion or other expectancy, real or personal, the entire property or fund by which such estate, income or interest is supported, or of which it is a part, shall be appraised immediately after the death of the decedent, at what was the fair and clear market value thereof at the time of the death of the decedent, in the manner hereinafter provided, and the surrogate shall thereupon assess and determine the value of the estate, income or interest subject to said tax, in the manner recorded in section thirteen of this act, and the tax prescribed by this act shall be immediately due and payable to the treasurer of the proper county, and in the city or county of New York to the comptroller thereof, and, together with the interest thereon, shall be and remain a lien on said property until the same is paid; provided

that the person or persons, or body politic or corporate beneficially interested in the property chargeable with said tax, may elect not to pay the same until they shall come into the actual possession or enjoyment of such property. and in that case such person or persons or body politic or corporate, shall give a bond, to the people of the state of New York, in a penalty of three times the amount of the tax arising upon personal estate, with such sureties as the surrogate of the proper county may approve conditioned for the payment of said tax and interest thereon at such time or period as they or their representatives may come into the actual possession or enjoyment of such property, which bond shall be filed in the office of the surrogate of the proper county; provided further, that such person shall make a full verified return of such property to said surrogate, and file the same in his office within one year from the death of the decedent, and within that period enter into such security and renew the same every five years.

§ 3. Whenever a decedent appoints or names one or more executors or trustees and makes a bequest or devise of property to them in lieu of their commissions or allowances, which otherwise would be liable to said tax, or appoints them his residuary legatees, and said bequest, devises or residuary legacies exceed what would be a reasonable compensation for their services, such excess shall be liable to said tax, and the surrogate's court having jurisdiction in the case shall fix such compensation.

§ 4. All taxes imposed by this act unless otherwise herein provided for, shall be due and payable at the death of the decedent, and if the same are paid within eighteen months, no interest shall be charged and collected thereon, but if not so paid, interest at the rate of ten per cent. per annum shall be charged and collected from the time said tax accrued; provided, that if said tax is paid within six months from the accruing thereof, a discount of five per cent. shall be allowed and deducted from said tax, and in all cases where the executors, administrators or trustees do not pay such tax within eighteen months from the death of the decedent, they shall be required to give a bond in the form and

to the effect prescribed in section two of this act for the payment of said tax, together with interest.

§ 5. The penalty of ten per cent. per annum imposed by section four hereof, for the non-payment of said tax, shall not be charged where in cases by reason of claims made upon the estate, necessary litigation or other unavoidable cause of delay, the estate of any decedent, or a part thereof, cannot be settled at the end of eighteen months from the death of the decedent, and in such cases only six per cent. per annum shall be charged upon the said tax, from the expiration of said eighteen months until the cause of such delay is removed.

§ 6. Any administrator, executor or trustee having in charge, or trust, any legacy or property for distribution, subject to the said tax, shall deduct the tax therefrom, or if the legacy or property be not money, he shall collect the tax thereon upon the appraised value thereof from the legatee or person entitled to such property, and he shall not deliver, or be compelled to deliver, any specific legacy or property subject to tax to any person until he shall have collected the tax thereon; and whenever any such legacy shall be charged upon or payable out of real estate, the heir or devisee before paying the same, shall deduct said tax therefrom, and pay the same to the executor, administrator or trustee, and the same shall remain a charge on such real estate until paid, and the payment thereof shall be enforced by the executor, administrator or trustee in the same manner that the payment of such legacy might be enforced; if, however, such legacy be given in money to any person for a limited period, he shall retain the tax upon the whole amount, but if it be not in money, he shall make application to the court having jurisdiction of his accounts, to make an apportionment, if the case require it, of the sum to be paid into his hands by such legatees, and for such further order relative thereto as the case may require.

§ 7. All executors, administrators, and trustees shall have full power to sell so much of the property of the decedent as will enable them to pay said tax, in the same manner as they may be enabled by law to do for the payment of debts of their testators

and intestates, and the amount of said tax shall be paid as hereinafter directed.

§ 8. Every sum of money retained by an executor, administrator or trustee, or paid into his hands, for any tax on any property, shall be paid by him within thirty days thereafter, to the treasurer of the proper county, or in the city and county of New York, to the comptroller thereof, and the said treasurer or comptroller shall give, and every executor, administrator, or trustee shall take duplicate receipts from him of such payment, one of which receipts he shall immediately send to the comptroller of the state, whose duty it shall be to charge the treasurer or comptroller so receiving the tax, with the amount thereof, and shall seal said receipt with the seal of his office, and countersign the same and return it to the executor, administrator or trustee, whereupon it shall be a proper voucher in the settlement of his accounts, but an executor, administrator or trustee shall not be entitled to credits in his accounts, nor be discharged from liability for such tax, unless he shall produce a receipt so sealed and countersigned by the comptroller, or a copy thereof certified by him.

§ 9. Whenever any of the real estate of which any decedent may die seized shall pass to any body politic or corporate, or to any person or persons other than his or her father, mother, husband, wife, lawful issue, brother, sister, wife or widow of a son, or husband of a daughter, or child or children adopted by such decedent according to law, or any person to whom the deceased for not less than ten years prior to his or her death, stood in the mutually acknowledged relation of a parent, or in trust for them, or some of them, it shall be the duty of the executors, administrators or trustees of such decedent, to give information thereof in writing to the treasurer or comptroller of the county where such real estate is situate, within six months after they undertake the execution of their respective duties, or if the fact be not known to them within that period, then within one month after the same shall have come to their knowledge.

§ 10. Whenever any debts shall be proven against the estate of a decedent, after the payment of legacies or distribution of

property from which the said tax has been deducted, or upon which it has been paid, and a refund is made by the legatee, devisee, heir or next of kin, a proportion of the tax so paid shall be repaid to him by the executor, administrator or trustee, if the said tax has not been paid to the county treasurer, comptroller, or to the state treasurer, or by them if it has been so paid.

§ 11. Whenever any foreign executor or administrator shall assign or transfer any stocks or loans in this state, standing in the name of a decedent, or in trust for a decedent, which shall be liable to the said tax, such tax shall be paid to the treasurer or comptroller of the proper county on the transfer thereof, otherwise the corporation permitting such transfer shall become liable to pay such tax, provided that such corporation had knowledge before such transfer that said stocks or loans are liable to said tax.

§ 12. When any amount of said tax shall have been paid erroneously to the state treasurer, it shall be lawful for him, on satisfactory proof rendered to the comptroller by said county treasurer or comptroller, of such erroneous payment, to refund and pay to the executor, administrator, person or persons who have paid any such tax in error, the amount of such tax so paid, provided that all such applications for the payment of such tax shall be made within five years from the date of such payment.

§ 13. In order to fix the value of property of persons whose estates shall be subject to the payment of said tax, the surrogate, on the application of any interested party, or upon his own motion, shall appoint some competent person as appraiser as often as, and whenever occasion may require, whose duty it shall be forthwith to give such notice by mail to all persons known to have or claim an interest in such property, and to such persons as the surrogate may by order direct, of the time and place he will appraise such property; and, at such time and place, to appraise the same at its fair market value, and make a report thereof in writing to said surrogate, together with such other facts in relation thereto as said surrogate may by order require, to be filed in the office of such surrogate; and from this report the said surrogate shall forthwith assess and fix the then cash value of all estates, annui-

ties, and life estates or terms of years growing out of said estate, and the tax to which the same is liable, and shall immediately give notice thereof by mail to all parties known to be interested therein, and the value of every future or contingent or limited estate, income or interest shall, for the purposes of this act, be determined by the rule, method and standards of mortality and of value, which are employed by the superintendent of the insurance department in ascertaining the value of policies of life insurance and annuities, for the determination of the liabilities of life insurance companies, save that the rate of interest to be assessed in computing the present value of all future interests and contingencies shall be five per cent. per annum; and the superintendent of the insurance department shall, on the application of any surrogate, determine the value of such future or contingent or limited estate, income or interest, upon the facts contained in such report, and certify the same to the surrogate, and his certificate shall be conclusive evidence that the method of computations adopted therein is correct. Any person or persons dissatisfied with appraisement or assessment may appeal therefrom to the surrogate of the proper county within sixty days after the making and filing of such assessment, on paying or giving security approved by the surrogate to pay all costs, together with whatever tax shall be fixed by said court. The said appraiser shall be paid by the county treasurer or comptroller out of any funds he may have in his hands on account of said tax, on the certificate of the surrogate, at the rate of three dollars per day for every day actually and necessarily employed in said appraisement, together with his actual and necessary travelling expenses.

§ 14. Any appraiser appointed by virtue of this act who shall take any fee or reward from any executor, administrator, trustee, legatee, next of kin or heir of any decedent, or from any other person liable to pay said tax, or any portion thereof, shall be guilty of a misdemeanor, and upon conviction in any court having jurisdiction of misdemeanors, he shall be fined not less than two hundred and fifty dollars nor more than five hundred dollars, and imprisoned not exceeding ninty days, and in addition thereto the surrogate shall dismiss him from such service.

§ 15. The surrogate's court in the county in which the real property is situate of a decedent who was not a resident of the state, or in the county of which the decedent was a resident at the time of his death, shall have jurisdiction to hear and determine all questions in relation to the tax arising under the provisions of this act, and the surrogate first acquiring jurisdiction hereunder shall retain the same to the exclusion of every other.

§ 16. If it shall appear to the surrogate's court that any tax accruing under this act has not been paid according to law, it shall issue a citation, citing the persons interested in the property liable to the tax to appear before the court on a day certain, not more than three months after the date of such citation, and show cause why said tax should not be paid. The service of such citation and the time, manner and proof thereof, and fees therefor, and the hearing and determination thereon, and the enforcement of the determination or decree shall conform to the provisions of the Code of Civil Procedure, for the service of citations now issuing out of surrogates' courts, and the hearing and determination thereon and its enforcement. And the surrogate, or clerk of the surrogate's court, shall, upon the request of the district-attorney, treasurer of the county, or comptroller of the county of New York, furnish, without fee, one or more transcripts of such decree as provided in section twenty-five hundred and fifty-three of the Code of Civil Procedure, and the same shall be docketed and filed by the county clerk of any county in the state without fee, in the same manner, and with the same effect as provided by said section for filing and docketing transcripts of decrees of such courts.

§ 17. Whenever the treasurer or comptroller of any county shall have reason to believe that any tax is due and unpaid under this act, after the refusal or neglect of the persons interested in the property liable to said tax, to pay the same, he shall notify the district attorney of the proper county, in writing, of such failure to pay such tax, and the district attorney so notified, if he have probable cause to believe a tax is due and unpaid, shall prosecute the proceeding in the surrogate's court in the proper

county, as provided in section sixteen of this act for the enforcement and collection of such tax. All costs awarded by such decree, that may be collected after the collection and payment of the tax, to the treasurer or comptroller of the proper county, may be retained by the district attorney, hereafter elected or appointed, for his own use.

§ 18. The surrogate and county clerk of each county shall, every three months, make a statement in writing to the county treasurer or comptroller of his county of the property from which, or the party from which, he has reason to believe a tax under this act is due and unpaid.

§ 19. Whenever the surrogate of any county shall certify that there was probable cause for issuing a citation and taking the proceedings specified in section seventeen of this act, the state treasurer shall pay or allow to the treasurer or comptroller of any county all expenses incurred for services of citation and his other lawful disbursements that have not otherwise been paid.

§ 20. The comptroller of the state shall furnish to each surrogate a book in which he shall enter the returns made by appraisers, the cash value of annuities, life estates and terms of years and other property fixed by him, and the tax assessed thereon, and the amounts of any receipts for payments thereon filed with him, which books shall be kept in the office of the surrogate as a public record.

§ 21. The treasurer of each county and the comptroller of the county of New York shall collect and pay the state treasurer all taxes that may be due and payable under this act, who shall give him a receipt therefor, of which collection and payment he shall make a report under oath to the comptroller on the first Monday in March and September of each year, stating for what estate paid, and in such form and containing such particulars as the comptroller may prescribe; and for all such taxes collected by him and not paid to the state treasurer by the first day of October and April of each year he shall pay interest at the rate of ten per cent. per annum.

§ 22. The treasurer of each county and the comptroller of the

county of New York, shall be allowed to retain, on all
d and accounted for by him each year, under this act,
on to his salary or fees now allowed by law, five per
the first fifty thousand dollars so paid and accounted for
three per cent. on the next fifty thousand dollars so paid
unted for by him, and one per cent. on all additional
paid and accounted for by him.

Any person or body politic or corporate shall, upon
of the sum of fifty cents, be entitled to a receipt from
treasurer of any county or comptroller of the county of
k, or a copy of the receipt, at his option, that may have
n by said treasurer or comptroller for the payment of
nder this act, to be sealed with the seal of his office.
ceipt shall designate on what real property, if any, of
y decedent may have died seized, said tax has been
by whom paid, and whether or not it is in full of said
said receipt may be recorded in the clerk's office of
s in which said property is situate, in a book to be kept
lerk for such purpose, which shall be labelled "collateral

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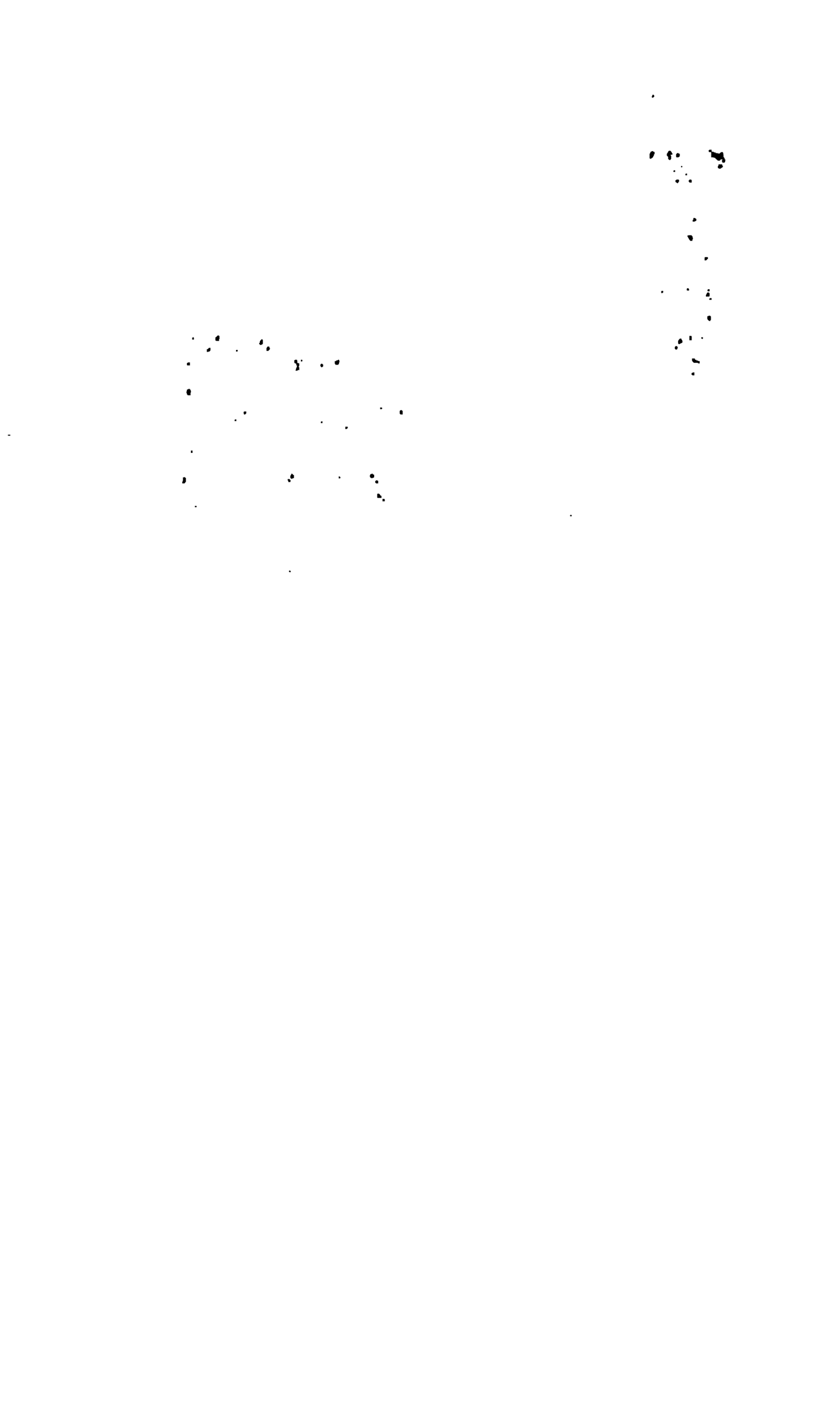

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